

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

RIPLEY COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/24/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lana M. Miller	07-01-17 to 06-30-20
Superintendent of Schools	Robert D. Moorhead	07-01-17 to 07-31-21
President of the School Board	Tim Taylor	01-01-15 to 12-31-20



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 SOUTH RIPLEY COMMUNITY
SCHOOL CORPORATION, RIPLEY 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 South Ripley Community School 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 February 27, 2020, 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

February 27, 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 SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Ripley Community School 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 2019-001, 2019-002, and 2019-003. 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, and 2019-003, that we consider to be material weaknesses.

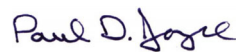
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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 February 27, 2020, 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

February 27, 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.

SOUTH RIPLEY COMMUNITY SCHOOL 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
Cafeteria-School Breakfast Program			FY2018	\$ -	\$ 109,964	\$ -	\$ -
Cafeteria-School Breakfast Program			FY2019	-	-	-	100,823
Total - School Breakfast Program				-	109,964	-	100,823
National School Lunch Program							
Cafeteria-School Lunch Program	Indiana Department of Education	10.555					
Commodities			FY2018	-	360,375	-	-
Cafeteria-School Lunch Program			FY2018	-	61,179	-	-
Commodities			FY2019	-	-	-	329,710
Commodities			FY2019	-	-	-	53,412
Total - National School Lunch Program				-	421,554	-	383,122
Total - Child Nutrition Cluster				-	531,518	-	483,945
Total - Department of Agriculture				-	531,518	-	483,945
Department of Labor							
WIOA Cluster							
WIOA Dislocated Worker Formula Grants	Indiana Department of Workforce Development	17.278					
Governor Work Ethic Certificate			AA-28315-16-55-A-18	-	1,746	-	18,238
Total - WIOA Cluster				-	1,746	-	18,238
Total - Department of Labor				-	1,746	-	18,238
Environmental Protection Agency							
National Clean Diesel Emissions Reduction Program							
National Clean Diesel Rebate	Direct Grant	66.039					
			FY 17	-	55,000	-	-
Total - Environmental Protection Agency				-	55,000	-	-
Department of Education							
Impact Aid							
Impact Aid FY2016	Direct Grant	84.041					
Impact Aid FY2017			FY2016	-	959	-	-
Impact Aid FY2018			FY2017	-	-	-	573
Impact Aid FY2019			FY2018	-	67,782	-	-
Impact Aid FY2019			FY2019	-	-	-	67,782
Total - Impact Aid				-	68,741	-	68,355

SOUTH RIPLEY COMMUNITY SCHOOL 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 Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Ripley Ohio Dearborn Special Education Cooperative FY2017 Federal Part B 611 Grant			14217-050-PN01	-	134,124	-	-
Ripley Ohio Dearborn Special Education Cooperative FY2018 Federal Part B 611 Grant			18611-050-PN01	-	309,440	-	137,700
Ripley Ohio Dearborn Special Education Cooperative FY2019 Federal Part B 611 Grant			19611-050-PN01	-	-	-	307,113
Total - Special Education Grants to States				-	443,564	-	444,813
Special Education Preschool Grants							
Ripley Ohio Dearborn Special Education Cooperative FY2018 Federal Preschool 619 Grant	Indiana Department of Education	84.173	18619-050-PN01	-	18	-	114
Ripley Ohio Dearborn Special Education Cooperative FY2017 Federal Preschool 619 Grant			19619-050-PN01	-	-	-	35
Ripley Ohio Dearborn Special Education Cooperative FY2019 Federal Preschool 619 Grant			45717-050-PN01	-	251	-	-
Total - Special Education Preschool Grants				-	269	-	149
Total - Special Education Cluster (IDEA)				-	443,833	-	444,962
Title I Grants to Local Educational Agencies							
Title 1 2016-2017	Indiana Department of Education	84.010	FY2017	-	29,357	-	-
Title 1 2017-2018			FY2018	-	151,711	-	29,961
Title 1 2018-2019			FY2019	-	-	-	174,606
Total - Title I Grants to Local Educational Agencies				-	181,068	-	204,567
Supporting Effective Instruction State Grants							
Title II Class Size Reduction	Indiana Department of Education	84.367	FY2016	-	35,995	-	-
Title II Class Size Reduction			FY2017	-	23,585	-	10,325
Title II Class Size Reduction			FY2018	-	-	-	33,418
Total - Supporting Effective Instruction State Grants				-	59,580	-	43,743
Student Support and Academic Enrichment Program							
Title IV	Indiana Department of Education	84.424	S424A170015	-	-	-	73,104
Total - Department of Education				-	753,222	-	834,731
Department of Homeland Security							
Emergency Food and Shelter National Board Program	Ripley County Community Foundation	97.024					
South Ripley Food Pantry			FY 18	-	351	-	-
South Ripley Food Pantry			FY 19	-	-	-	202
Total - Department of Homeland Security				-	351	-	202
Total federal awards expended				\$ -	\$ 1,341,837	\$ -	\$ 1,337,116

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

SOUTH RIPLEY COMMUNITY SCHOOL 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 a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended on the SEFA is not presented as receipts and disbursements on the financial statements for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SOUTH RIPLEY COMMUNITY SCHOOL 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
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Special Education Cluster (IDEA) - Procurement
 Federal Agency: Department of Education
 Federal Programs: Special Education Grants to States, Special Education Preschool Grants
 CFDA Numbers: 84.027, 84.173
 Federal Award Numbers and Years (or Other Identifying Numbers): 14217-050-PN01, 45717-050-PN01, 18619-050-PN01, 18611-050-PN01
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Findings: Material Weakness, Other Matters

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-003.

Condition and Context

The School Corporation is a member of the Ripley-Ohio-Dearborn Special Education Cooperative (Cooperative). During fiscal year 2017-2018, the Cooperative operated the special education programs and managed the special education funds on behalf of all its members. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the Procurement and Suspension and Debarment compliance requirement.

The Cooperative had a written procurement policy; however, it did not reflect the required state and federal laws and regulations. Additionally, documentation was not provided to support the history of their procurements, including the rationale for method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price.

For each of the six vendors tested during 2017-2018, the Cooperative did not obtain price or rate quotes from an adequate number of qualified sources for the purchase of goods or services that fell within the small purchase procedures for procurements, nor was full and open competition provided.

The lack of controls and noncompliance were systemic issues for 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). . . ."

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 RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

(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 non-competitive 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."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

Views of Responsible Officials

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-002

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material 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 Wilson Education Center (Service Center). During fiscal years 2017-2018 and 2018-2019, the Service Center solicited, evaluated, and awarded bids for bread, milk, and other products on behalf of its members. There was inadequate oversight performed by the School Corporation over the procurement procedures of the Service Center.

Procurement

The bids for bread and milk were originally awarded for 2016-2017, and each contract included a clause stating that the contract could be extended for three additional 12 month periods by mutual written agreement. The Service Center could not provide documentation of the mutually agreed-upon contracts for the extensions of the bread bid for 2017-2018 or 2018-2019. The Service Center also could not provide documentation of the mutually agreed-upon contract for the extension of the milk bid for 2018-2019.

At the local level, for one vendor selected for testing, the School Corporation did not obtain price or rate quotations from an adequate number of sources for purchases of goods or services exceeding \$3,500 for 2017-2018 and \$10,000 for 2018-2019, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

The School Corporation did not have procedures in place to ensure that micro-purchases from six vendors selected for testing were distributed equitably among qualified suppliers for purchases less than \$3,500 for 2017-2018 and \$10,000 for 2018-2019.

Criteria

2 CFR section 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). . . ."

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.318(i) states:

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

2 CFR 200.320 states in part:

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

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

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . .

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. . . .

(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 non-competitive 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."

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

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: Child Nutrition Cluster - Verification of Free and Reduced Price Applications (NSLP)

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): FY2018, FY2019

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

Condition and Context

Management of the School Corporation had not established an effective internal control system to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. One employee was primarily responsible for verifying free and reduced price applications. There was no documentation that an oversight, review process, or other compensating control had been established to ensure the proper number of applications were verified for accuracy.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

One out of four verified applications selected for testing during fiscal year 2017-2018 was not appropriately changed from reduced price eligibility to paid. The income information was not correctly entered into the system, so the applicant retained their reduced price status in error.

The lack of controls was a systemic issue, which occurred throughout the audit period. The noncompliance was isolated to 2017-2018.

Criteria

2 CFR section 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 245.6(a) states in part:

". . . (f) Verification procedures and assistance for households . . .

- (7) Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement could have resulted in the loss of federal funds to the School Corporation.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Views of Responsible Officials

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

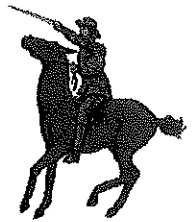
AUDITEE-PREPARED DOCUMENTS

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



SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

"Home of the Raiders"



Robert D. Moorhead, Superintendent

Lana M. Miller, Business Manager

207 W. Tyson Street, PO Box 690, Versailles, IN 47042
(812) 689-6282
(812) 689-6760 (Fax)
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: FY16
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Status of Audit Finding:

We have been proactive in our desire to build stronger internal controls within our Child Nutrition Program. Our Food Service Clerical Staff member shares an office with the Elementary Head Cook so it is simple for these two ladies to review reports together. Additionally, all reports between the Food Service Clerical Staff member and the Business Manager are reviewed and signed by both. In the past more than one person performed parts of duties, but we couldn't show auditable proof. We began using and continue to use "Reviewed By" stamps along with staff signatures and date which shows our desire for better internal control involving more than one person. We continue to have more than one person reviewing the Cafeteria Fund Cash Balance Review, Free and Reduced Eligibility Determinations and Verifications, Program Income, and Reporting.

FINDING 2017-002

Fiscal year in which the finding initially occurred: FY16
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Status of Audit Finding:

Vendors are reviewed for suspension or debarment for federal programs using the SAMS website. A review of the results is performed and signed off by a second person. Supporting documentation is kept for audit.

"South Ripley educates students today, to become responsible citizens of tomorrow."

FINDING 2017-003

Fiscal year in which the finding initially occurred: FY16
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Status of Audit Finding: The response below was given on February 26, 2020 by Marsha Fullenkamp, ROD Treasurer.

For each vendor that exceeds \$25,000, the ROD Cooperative does a search on the SAMS Federal registry to verify the selected vendor has not been suspended or debarred. The director also signs the printed registry search verifying the vendor has not been suspended or debarred.

The ROD Cooperative will keep documentation of any price/rate quotations from an adequate number of qualified vendors for purchases anticipated to be over the \$3,000 small purchase threshold.

Lana M. Miller
(Signature)

Business Manager/Treasurer
(Title)

2-26-2020
(Date)



South Ripley Community School Corporation

P. O. Box 690, 207 West Tyson Street

Versailles, IN 47042

PHONE 812-689-6282 FAX 812-689-6760

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This Corrective Action Plan was received by ROD Treasurer Marcia Fullenkamp on 2-28-2020.

Beginning with the 2018-19 school year documentation of price/rate quotations for purchases over the \$10,000 threshold (on federal purchases) and \$50,000 (non-federal purchases) are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation of quotes on purchases between \$50,000 - \$150,000 are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation on bids on purchases over \$150,000 are maintained by the ROD Cooperative. The Director of Special Education initials all of these documents.

Beginning with the 2018-19 school year contracted services are obtained by ROD in the event a qualified person is not available to fill the position. The position is initially posted by the ROD Cooperative, if no qualified candidates apply then the Director of Special Education reaches out to companies who contract for the needed service and negotiates the contract. The Director of Special Education initials paperwork showing there were no qualified applicants. The contract is then signed by the Director of Special Education and approved by the ROD Special Education Board of Directors.

Anticipated Completion Date: August 2018.

FINDING 2019-002

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This Corrective Action Plan was received by Wilson Education Center Procurement Specialist Benita Fischer on February 27, 2020.

The Wilson Education Center took immediate corrective action by acquiring all signed extension and debarment documents for each vendor that extended their bid renewal period.

Anticipated Completion Date: Immediately, January 2020

Regarding micro-purchases, we will develop a simple procedure for securing services, supplies, or other property. For these micro purchases, to the extent practicable, we will distribute equitably among qualified suppliers. We understand that we may award without solicitation a competitive quote if we consider the price to be reasonable.

For small purchase procedures, we will seek three price or rate quotations from qualified sources.

Anticipated Completion Date: Immediately, March 2020.

FINDING 2019-003

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will provide additional oversight on the free and reduced applications including the verification process. A second staff person did randomly review applications, but we failed to show proof that any second person reviewed the four applications that were chosen for verification. Additionally, we started with a new student management system in August of 2017. The application in question was accurately reviewed and an accurate determination was made. When the staff person entered the change into our new student management software, she went into the "Edit Verification" area and put the change in from Reduced to Paid. The staff member thought that completed the transaction. We now know that there is an additional step to complete the process that actually changes the code. Learning a new software system is not easy and was definitely part of the issue in recording this error.

Anticipated Completion Date: Immediately, March 2020.

Lana M. Miller
(Signature)

Business Manager/Treasurer
(Title)

March 2, 2020
(Date)

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/>.