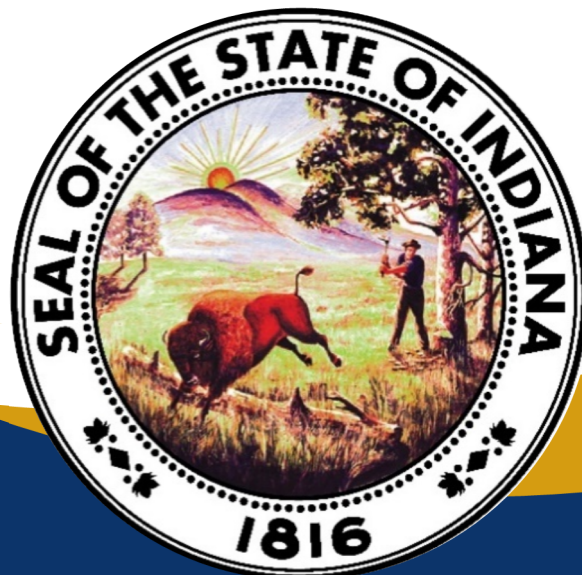


**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF  
CANNELTON CITY SCHOOL CORPORATION  
PERRY COUNTY, INDIANA  
July 1, 2022 to June 30, 2024



**FILED**

03/21/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Embry	07-01-22 to 06-30-25
Superintendent of Schools	Alva L. Sibbitt, Jr.	07-01-22 to 06-30-25
President of the School Board	John Young	07-01-22 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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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 CANNELTON CITY SCHOOL  
CORPORATION, PERRY 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 Cannelton City School Corporation (School Corporation), for the period of July 1, 2022 to June 30, 2024, 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 13, 2025, 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.

### ***Report on 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) as a basis for designing 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.

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)

***Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002.

***Cannelton City School Corporation's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the 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 the financial statement, and, accordingly, we express no opinion on it.

***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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 13, 2025



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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## 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 CANNELTON CITY SCHOOL CORPORATION, PERRY COUNTY, INDIANA

### Report on Compliance for Each Major Federal Program

#### ***Adverse and Qualified Opinions***

We have audited the Cannelton City 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, 2022 to June 30, 2024. 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.

#### ***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Adverse and Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2022 to June 30, 2024.

#### ***Adverse Opinion on COVID-19 - Education Stabilization Fund***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Qualified Opinions* section of our report, the School Corporation did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2022 to June 30, 2024.

#### **Basis for Adverse and Qualified Opinions**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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)

*Matters Giving Rise to Qualified Opinion on the Child Nutrition Cluster*

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in item 2024-005 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

*Matters Giving Rise to Adverse Opinion on COVID-19 - Education Stabilization Fund*

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2024-007, 2024-008, and 2024-009 for Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions - Wage Rate Requirements. Compliance with such requirements are necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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)

- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**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 item 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. 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**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, and 2024-009, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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)

*Government Auditing Standards* require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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.

**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, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated February 13, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 13, 2025

## 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.

CANNELTON CITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 06-30-24
<b>Department of Agriculture</b>					
Child Nutrition Cluster					
School Breakfast Program					
Indiana Department of Education					
		10.553			
FY 23 School Breakfast Program			FY2023	\$ 47,913	\$ -
FY 24 School Breakfast Program			FY2024	-	48,082
Total - School Breakfast Program				47,913	48,082
National School Lunch Program					
Indiana Department of Education					
		10.555			
FY 23 SCHOOL LUNCH PROGRAM			FY2023	105,452	-
FY 24 SCHOOL LUNCH PROGRAM			FY2024	-	105,962
Commodities			FY2023, FY2024	8,740	10,855
Supply Chain Funds			FY2024	18,836	907
Total - National School Lunch Program				133,028	117,724
Special Milk Program for Children					
Indiana Department of Education					
		10.556			
Special Milk Program for Children			FY2024	-	9,842
Total - Child Nutrition Cluster				180,941	175,648
WIC Special Supplemental Nutrition Program for Women, Infants, and Children SNP					
Indiana Department of Education					
		10.557			
			FY2024	-	1,681
Child Nutrition Discretionary Grants Limited Availability					
Indiana Department of Education					
		10.579			
Child Nutrition Discretionary Grants Limited Availability			FY2023	24,809	-
Pandemic EBT Administrative Costs					
Indiana Department of Education					
		10.649			
Pandemic EBT Administrative Costs			FY2023	628	-
Total - Department of Agriculture				206,378	177,329
<b>Department of Education</b>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
Indiana Department of Education					
		84.027			
IDEA SPECIAL EDUCATION			H027A220084	-	4,000
FY 2022 PART B IDEA			22611-009-PN01	33,338	-
FY 2023 PART B IDEA			23611-009-PN01	32,202	33,093
FY 2024 PART B IDEA			24611-009-PN01	-	33,684
Subtotal - Special Education Grants to States				65,540	70,777
COVID-19 - Special Education Grants to States					
Indiana Department of Education					
		84.027X			
FY 2022 PART B ARP			22611-009-ARP	9,174	1,722
Total - Special Education Grants to States				74,714	72,499
Special Education Preschool Grants					
Indiana Department of Education					
		84.173			
FY 2022 PART B 619 PRESCHOOL			22619-009-PN01	180	-
FY 2023 PART B 619 PRESCHOOL			23619-009-PN01	1,418	304
FY 2024 PART B 619 PRESCHOOL			24619-009-PN01	-	1,521
Subtotal - Special Education Preschool Grants				1,598	1,825

CANNELTON CITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 06-30-24
COVID-19 - Special Education Preschool Grants FY 2022 PART B PRESCHOOL ARP	Indiana Department of Education	84.173X	22619-009-ARP	930	103
Total - Special Education Preschool Grants				<u>2,528</u>	<u>1,928</u>
Total - Special Education Cluster (IDEA)				<u>77,242</u>	<u>74,427</u>
Title I Grants to Local Educational Agencies TITLE I TITLE I SCHOOL IMPROVEMENT TITLE I TITLE I	Indiana Department of Education	84.010	S010A210014 S010A200014 S010A220014 S010A230014	29,331 30 112,890 -	- 10,875 22,941 124,354
Total - Title I Grants to Local Educational Agencies				<u>142,251</u>	<u>158,170</u>
Education for Homeless Children and Youth MCKINNEY VENTO	Tell City-Troy Township School Corporation	84.196	S196A230015	9,000	-
Rural Education TITLE VI RLIS TITLE VI RLIS	Indiana Department of Education	84.358	S358B220014 S358B230014	6,514 -	- 7,514
Total - Rural Education				<u>6,514</u>	<u>7,514</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) TITLE II PART A TITLE II PART A	Indiana Department of Education	84.367	S367A220013 S367A230013	15,546 -	- 17,589
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				<u>15,546</u>	<u>17,589</u>
Student Support and Academic Enrichment Program TITLE IV TITLE IV TITLE IV - ICAP	Indiana Department of Education	84.424	S424A220015 S424A230015 S424D200003	3,974 6,280 -	- 8,289 50,522
Total - Student Support and Academic Enrichment Program				<u>10,254</u>	<u>58,811</u>
COVID-19 - Education Stabilization Fund ARP HCY II GEER ESSER II ESSER III	Indiana Department of Education	84.425W 84.425C 84.425D 84.425U	S425W210015 S425C200018 S425D210013 S425U210013	10,094 2,333 137,049 306,447	9,182 - 23,094 106,046
Total - COVID-19 - Education Stabilization Fund				<u>455,923</u>	<u>138,322</u>
Total - Department of Education				<u>716,730</u>	<u>454,833</u>
Total federal awards expended				<u>\$ 923,108</u>	<u>\$ 632,162</u>

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

CANNELTON CITY 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 award activity of the School Corporation under programs of the federal government for the years ended June 30, 2023 and 2024. 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable 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. Exceptional Children's Cooperative**

The School Corporation is a member of the Exceptional Children's Cooperative (Cooperative). As a result, the 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 presented in the financial statement of the Cooperative's fiscal agent.

CANNELTON CITY 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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Qualified Adverse

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**

**FINDING 2024-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

*Condition and Context*

There were deficiencies in the School Corporation's internal control system related to financial transactions and reporting. The failure to establish a proper system of internal controls enabled material errors in the form of misstatements to occur and remain undetected and uncorrected.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Financial Close and Reporting*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation filed the AFR; however, internal controls over the financial data enter into the AFR, which was the source of the School Corporation's financial statement, were not established. The Treasurer prepared and submitted the financial data into the AFR. There was no evidence of an oversight, review, or approval process to ensure the information was accurate or complete prior to submission. Due to the lack of internal controls, the financial statement compiled for the School Corporation contained the following errors:

- In total, 25 individually immaterial errors were identified, which resulted in a \$1,706 understatement of the beginning cash and investments balance in fiscal year 2022-2023.
- In total, 32 individually immaterial errors were identified, which resulted in understatements of receipts totaling \$485,254 and \$371,984 in 2022-2023 and 2023-2024, respectively.
- Disbursements in the Operations fund were overstated by \$256,581 for 2022-2023.
- In total, 39 individually immaterial errors were identified, which resulted in understatements of disbursements, totaling \$499,116 and \$562,814, in 2022-2023 and 2023-2024, respectively.
- Other Financing Sources in the Education fund were overstated by \$1,266,355 and \$1,624,281 in 2022-2023 and 2023-2024, respectively.
- Other Financing Uses in the Education fund were overstated by \$1,575,601 and \$1,624,281 in 2022-2023 and 2023-2024, respectively.
- Other Financing Sources in the Operations fund were overstated by \$120,000 in 2022-2023.
- In total, 2 immaterial errors were identified, which resulted in overstatements of Other Financing Sources, totaling \$6,708 and \$15,693, in 2022-2023 and 2023-2024, respectively.
- An immaterial error was identified, which resulted in an overstatement of Other Financing Uses, totaling \$15,693, in 2023-2024.
- As a result of the above errors, the ending Cash and Investments Balance was understated by \$426,963 at June 30, 2023, and was understated by \$236,133 as of June 30, 2024.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement in the Financial Statement Audit Report of the School Corporation.

*Cash and Investments*

The Treasurer performed the monthly bank reconcilements without a review or approval process to ensure that the reconcilements were complete and accurate. The Treasurer was also responsible for the receipting function and for reconciling daily cash collections. Due to the lack of internal controls, issues were noted with the School Corporation's bank reconcilements as follows:

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- Stale-dated, outstanding checks totaling \$49,343 were included in the School Corporation's reconciliation as of June 30, 2024.
- Three bank accounts were not included in the monthly reconciliations performed by the School Corporation. As a result, bank account balances totaling \$122,164 and \$122,998 were excluded from the bank reconciliations for June 30, 2023 and 2024, respectively.
- The ending cash and investments balance on the financial statement exceeded the reconciled bank balance by \$4,810 and \$4,806 at June 30, 2023 and 2024, respectively. The School Corporation has been carrying a variance month-to-month in its reconciliations and has been unable to identify the cause.
- The School Corporation converted to a new accounting system in June 2024. The new software consolidated all previous outstanding checks into one reconciling item that was included in the June 30, 2024 reconciliation. A detailed list of the transactions comprising this total was not included with the reconciliation, but the School Corporation was able to provide the information upon request.

*Receipts*

The School Corporation had not separated incompatible activities related to receipts. There was no evidence that an oversight, review, or approval process was in place to ensure that receipts were properly issued or recorded correctly in the ledger. The Treasurer was solely responsible for collecting payments, completing the deposit ticket, making deposits, and recording receipts in the ledger.

*Disbursements*

The School Corporation had not established proper internal controls over payroll disbursements. The School Corporation had designed an internal control that timesheets prepared by hourly employees were sent to the building Principal for approval. However, testing of 56 payroll disbursements revealed 13 instances in which timesheets were signed by the employee but not by the Principal. Additionally, the Treasurer was solely responsible for processing payroll. The Treasurer did not prepare Payroll Schedules and Vouchers or any other payroll detail for review, and, accordingly, the School Board only approved the gross total payroll for each pay period on the claim docket. As such, there was no independent oversight, review, or approval of the detailed payroll information to ensure that it was accurately processed by the Treasurer.

*Criteria*

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

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

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(Continued)

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

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

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

CANNELTON CITY SCHOOL CORPORATION  
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(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision.

However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

*Cause*

Due to the small size of the School Corporation, there is often only one individual involved with financial transactions and reporting with limited opportunity for proper segregation of duties. Management has not taken steps to develop a stronger system of internal controls that would properly address deficiencies in internal controls.

*Effect*

Due to the lack of a proper system of internal controls, material misstatements of the financial statement remained undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

**FINDING 2024-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-002.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation filed the AFR as prescribed; however, internal controls over the federal award information entered into AFR, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective. The Treasurer prepared and submitted the federal award information into the AFR without a documented review or oversight process in place to prevent, or detect and correct, errors in the federal expenditure information prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit contained the following errors:

- Grant expenditures for the School Breakfast program were understated by \$47,913 and \$48,082 for fiscal years 2022-2023 and 2023-2024, respectively.
- Grant expenditures for the National School Lunch Program were overstated by \$48,701 and \$60,697 for 2022-2023 and 2023-2024, respectively.

CANNELTON CITY SCHOOL CORPORATION  
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(Continued)

- Grant expenditures for the Student Support and Academic Enrichment Program were understated by \$50,522 for 2023-2024.
- The School Corporation reported amounts passed through to subrecipients across 11 and 15 grants for 2022-2023 and 2023-2024, respectively, when the School Corporation did not pass any federal funds to any subrecipients. As a result, amounts passed through to subrecipients were overstated by \$1,948,262 and \$2,018,372 for 2022-2023 and 2023-2024, respectively.
- In total, 15 additional immaterial errors were noted each year, resulting in an understatement of grant expenditures, totaling \$48,091, and an overstatement of grant expenditures totaling \$24,788 for 2022-2023 and 2023-2024, respectively.
- Other errors were identified that included incorrect program names, identifying numbers, and pass-through entities.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

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

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

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

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

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

CANNELTON CITY SCHOOL CORPORATION  
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(Continued)

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (i) Effectiveness and efficiency of operations;
  - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The School Corporation did not act upon its Corrective Action Plan submitted in response to the same finding included in the prior audit and did not take further steps to ensure proper reporting of its federal awards.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

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

**FINDING 2024-003**

Subject: Child Nutrition Cluster - Internal Controls  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
Assistance Listings Numbers: 10.553, 10.555, 10.556  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2023, FY2024  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Reporting, Special Tests and Provisions - Nonprofit School Food Service Accounts  
Audit Finding: Material Weakness

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

Internal control is not one event or circumstance, but a dynamic and continual process. The process is based on fundamental principles that operate as a whole. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Risk Assessment - Reporting and Special Tests and Provisions -  
Nonprofit School Food Service Accounts*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

*Monitoring - Reporting and Special Tests and Provisions -  
Nonprofit School Food Service Accounts*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities - Reporting*

The School Corporation's Food Service Director was solely responsible for submitting the Monthly Sponsor Claims for reimbursement. There was no evidence of an oversight, review, or approval process to ensure the accuracy and completeness of the reports prior to submission.

*Control Activities - Special Tests and Provisions - Nonprofit School Food Service Accounts*

The Treasurer was solely responsible for posting all revenues and expenditures of the nonprofit school food service program into the School Corporation's accounting software. There was no evidence of an oversight, review, or approval process to ensure that only activity of the nonprofit school food service program was posted to the food service account or to ensure that all reimbursements were correctly credited to the nonprofit school food service account.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Due to the small size of the School Corporation, there was often only one individual involved with various aspects of the federal program with limited opportunity for proper segregation of duties. Additionally, management has not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system.

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(Continued)

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist. Finally, reimbursement requests could be inaccurate when submitted and the activity of the school food service account could be incorrectly recorded leading to incorrect requests for reimbursement or other errors in reporting or management of the food service account.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a proper system of internal controls to ensure that reports for reimbursement are complete and accurate, and the activity of the school food service account is properly recorded.

*Views of Responsible Officials*

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

**FINDING 2024-004**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
Assistance Listings Numbers: 10.553, 10.555, 10.556  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2023, FY2024  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal controls over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

CANNELTON CITY SCHOOL CORPORATION  
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(Continued)

Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities*

A sample of 60 claims was selected for testing. Of the 60 claims selected for testing, 43 claims were vendor claims and 17 were payroll claims. Issues were identified with 5 of the vendor claims as noted below:

- Three claims, totaling \$700, were paid based solely upon summary statements from the vendor. The School Corporation was unable to provide additional documentation, such as invoices, to detail what items or services had been purchased. Without adequate supporting documentation, we could not determine if the expenses incurred were for activities and costs allowable per the grant.
- Two claims, totaling \$313, were paid with no supporting documentation. The School Corporation was unable to provide additional documentation, such as invoices, to detail what items or services had been purchased. Without adequate supporting documentation, we could not determine if the expenses incurred were for activities and costs allowable per the grant.

The total amount, \$1,013, paid without adequate supporting documentation was considered questioned costs.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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(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 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

7 CFR 210.14(a) states in part:

". . . Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

7 CFR 220.7(e)(1)(ii) states in part: ". . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

*Cause*

Management of the School Corporation had not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system. Additionally, the School Corporation did not follow proper recordkeeping procedures. The Treasurer paid claims from federal program funds with no support or based on summary statements.

CANNELTON CITY SCHOOL CORPORATION  
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*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist. Additionally, we could not determine if federal program funds were used to pay only for the operation or improvement of the food service. Furthermore, the lack of detailed documentation was not in compliance with the cost principles. Continued payment with no support or only summary statements could lead to payments for unallowable activities and additional questioned costs.

*Questioned Costs*

Questioned costs in the amount of \$1,013 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a proper system of internal controls to ensure expenditures made from federal awards have appropriate supporting documentation to ensure expenditures are allowable per the terms and conditions of the federal award and adhere to the cost principles.

*Views of Responsible Officials*

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

**FINDING 2024-005**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10556

Federal Award Numbers and Years (or Other Identifying Numbers): FY2023, FY2024

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal controls over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

CANNELTON CITY SCHOOL CORPORATION  
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Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities - Procurement*

The School Corporation made purchases from two and three vendors during fiscal years 2022-2023 and 2023-2024, respectively, for which expenditures fell under the small purchase threshold. The School Corporation could not provide any documentation that the procurement method used was appropriate or that the procurements provided full and open competition or rationale to support the determination to limit competition. Additionally, the history of the procurement, including rationale for the method of procurement, selection of the vendor, and the basis for the price, was not adequately documented.

The School Corporation made purchases from five and four vendors during 2022-2023 and 2023-2024, respectively, for which expenditures fell under the micro-purchase threshold. The history of the procurement, including rationale for the method of procurement, selection of the vendor, and the basis for the price, was not adequately documented for any of the vendors.

*Control Activities - Suspension and Debarment*

The School Corporation utilized two vendors during 2022-2023 and 2023-2024 for which purchases throughout the year exceeded \$25,000. The School Corporation was unable to provide any evidence that they verified that the vendors were not suspended or debarred from participation in federal programs.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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(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 have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or service required under a federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standard identified in §§ 200.317 through 200.327."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(1) *Micro-purchases* —

(i) *Distribution.* The acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (See the definition of *micro-purchase* in § 200.1). To the maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers.

(ii) *Micro-purchase awards.* Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity.  
. . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

CANNELTON CITY SCHOOL CORPORATION  
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(Continued)

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.gov 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 taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system. Additionally, the small size and location of the School Corporation were the determining factors when making purchasing decisions as many vendors will not service the School Corporation. Therefore, the School Corporation has used the same vendors for many years. As such, the School Corporation did not follow the proper procurement procedures to document the reason that competition was limited. Accordingly, the School Corporation also did not check the vendors' suspension and debarment status.

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist. Furthermore, by not properly completing the procurement process the School Corporation could have overpaid goods or services. Additionally, the School Corporation could have made payment to a vendor that was suspended or debarred. Payments to a suspended or debarred vendor are unallowable.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a proper system of internal controls to ensure expenditures made from federal awards use the appropriate procurement method and retain the documentation to support the procurement methods used in order to ensure compliance with the terms and conditions of the federal award. Additionally, we recommend that the School Corporation's management verify applicable vendors are not suspended or debarred prior to making payment.

*Views of Responsible Officials*

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

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2024-006***

Subject: COVID-19 - Education Stabilization Fund - Internal Controls  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U, 84.425W  
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D210013,  
S425U210013, S425W210015  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Activities Allowed or Unallowed  
Audit Finding: Material Weakness

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal controls over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

CANNELTON CITY SCHOOL 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). . . ."

*Cause*

Management of the School Corporation had not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system.

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring.

*Views of Responsible Officials*

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

**FINDING 2024-007**

Subject: COVID-19 - Education Stabilization Fund - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Numbers: 84.425D, 84.425U  
Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013, S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities*

The School Corporation was a participating member in The Exceptional Children's Cooperative (Cooperative) which provided special education services to students on behalf of the School Corporation. The School Corporation utilized \$15,672 in program funds to pay for a portion of the School Corporation's required obligations to the Cooperative. This arrangement existed prior to the pandemic, and none of the obligations were related to responding to the pandemic. Additionally, the School Corporation used \$12,000 in program funds to pay a retainer fee for information technology services on a contract that existed prior to the COVID-19 pandemic. The School Corporation also used \$147,809 in program funds to pay the salary and benefits of a certified staff member who was employed prior to the pandemic and whose job duties were not related to responding to the pandemic. We consider the total of these payments, \$175,481, to be questioned costs.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

American Rescue Plan Act section 2001(e) states in part:

"Uses of Funds. - A local education agency that receives funds under this section - . . .

(2) shall use the remaining funds for any of the following: . . .

(E) Coordination of preparedness and response efforts of local education agencies with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus. . . .

(G) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .

(g) be adequately documented. . . ."

*Cause*

Management of the School Corporation had not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system. Additionally, the School Corporation's management had not developed a system of internal controls to ensure that expenditures paid from COVID-19 - Education Stabilization Funds were for costs allowed by the grant terms and conditions and in compliance with the allowable cost principles.

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist.

Without a proper system of internal controls in place that operated effectively, material noncompliance that resulted in questioned costs remained undetected. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funds to the School Corporation.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

Questioned costs in the amount of \$175,481 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a proper system of internal controls to ensure expenditures made from federal awards are for cost allowed per the terms and conditions of the federal award and in compliance with the allowable cost principles.

*Views of Responsible Officials*

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

**FINDING 2024-008**

Subject: COVID-19 - Education Stabilization Fund - Reporting  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U, 84.425W  
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D210013,  
S425U210013, S425W210015  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-004.

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities*

The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and key line items such as "Number of Specific Positions Supported with ESSER Funds," "Allocation of ESSER funds . . .," "LEA expenditures by ESSER Subgrant fund . . .," and "Full-Time Equivalency Positions."

As part of sound management of the federal award, the School Corporation was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. The School Corporation had not properly designed or implemented such a system, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance.

During the audit period, the School Corporation submitted one ESSER I report, two ESSER II reports, two ESSER III reports, and one ARP HCY II Report, for a total of six reports. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors prior to submission.

All six reports were selected for testing. Four of the reports were not supported by the School Corporation's records, and their accuracy and completeness could not be verified. The following errors were identified:

- The ESSER II, Year 2 and Year 3 reports, which covered the periods of July 1, 2021 to June 30, 2022, and July 1, 2022 to June 30, 2023, respectively, Key Line Items were not able to be traced to supporting documentation. For both reports, the supplies line item could not be traced to the School Corporation's records. For ESSER II, Year 3, the School Corporation reported Other Purchased Services, but the School Corporation's supporting documentation did not include any items that would be classified as such.
- The ESSER III, Year 2 report, which covered the period of July 1, 2021 to June 30, 2022, Key Line Items were not able to be traced to supporting documentation. The School Corporation reported the purchase of Chromebooks as Purchased Property Services, which was not the appropriate classification for the expenditure.
- The ESSER III, Year 3 report, which covered the period of July 1, 2022 to June 30, 2023, Key Line Items were not able to be traced to supporting documentation. The School Corporation reported amounts related to Purchased Property Services and Personnel Services - Salaries that were not supported by the School Corporation's records.

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

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

*Cause*

Management of the School Corporation had not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system. Additionally, the School Corporation did not act upon its corrective action plan submitted in response to the same finding included in the prior audit and did not take further steps to ensure compliance.

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist. Additionally, due to a lack of review and segregation of duties, the School Corporation submitted ESSER II and ESSER III reports that were not supported by the School Corporation's records. As a result, material noncompliance occurred and remained undetected.

*Questioned Costs*

There were no questioned costs identified.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a proper system of internal controls and strengthen its policies and procedures to ensure all reports submitted are accurate.

*Views of Responsible Officials*

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

**FINDING 2024-009**

Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425U

Federal Award Number and Year (or Other Identifying Number): S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Findings: Material Weakness, Modified Opinion

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-005.

*Condition and Context*

Internal control is generally defined as a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. With respect to federal awards, nonfederal entities, such as the School Corporation, are required to establish and maintain internal control over federal awards that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal awards.

Internal control is not one event or circumstance, but a dynamic and iterative process. The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The fundamental principles are related to five components of internal control which are as follows: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. If a component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective. Deficiencies as noted below were identified in the risk assessment, monitoring, and control activities components.

*Risk Assessment*

The School Corporation has not established a formal risk assessment process. There is no documented risk assessment policy, nor is there evidence of periodic risk identification, analysis, or evaluation.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Monitoring*

The School Corporation did not conduct ongoing or periodic reviews to ensure that internal controls were operating as intended and to identify areas for improvement. Furthermore, the School Corporation did not have a process to follow up on corrective actions written as a response to audit findings.

*Control Activities*

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation did not have policies and procedures in place to ensure that contractors were paid prevailing wage rates for contracts in excess of \$2,000 that were paid from federal grant funds. The one contract tested did not include the required prevailing wage rate clause, and the contractor did not submit the certified payrolls to the School Corporation.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

29 CFR 5.5 states in part:

"(a) The Agency head will cause or require the contracting officer to require the contracting officer to insert in full, or (for contracts covered by the Federal Acquisition Regulation (48 CFR chapter 1)) by reference, in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the laws referenced by § 5.1, the following clauses . . .

(1) *Minimum wages.*

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(i) All laborers and mechanics employed or working upon the site of the work (or otherwise working in construction or development of the project under a development statute), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of basic hourly wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records. . . .*

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

*Cause*

Management of the School Corporation had not taken steps to design and implement policies and procedures to assess risks facing the School Corporation or to establish and operate monitoring activities that monitor the internal control system. Additionally, management of the School Corporation did not take steps to ensure compliance with the requirement, such as amending the contract and requesting future payroll certifications, after being made aware of noncompliance during the last audit engagement.

CANNELTON CITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

As a result of the five components of internal control not being adequately designed and implemented, the internal control system cannot be effective. Thus, general risks or specific risks from fraud and significant changes could negatively impact the School Corporation, identified internal control deficiencies could continue, and unidentified flaws within the internal control system could exist. Furthermore, not taking corrective action after the last audit led to additional noncompliance.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, which would include policies and procedures related to risk assessment and monitoring. Additionally, we recommended that the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts and obtain certified payrolls as required.

*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.



# Cannelton City Schools

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**Melissa Embry, Corporation Treasurer**  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022  
Current Audit Period: July 1, 2022-June 30, 2024

Finding Subject: Financial Transactions and Reporting

### Summary of Finding:

There was no review or oversight process in place related to the Annual Financial Report's financial data, resulting in material errors.

Status of Audit Finding: Not Corrected

### Response Comments:

The process for reporting the Annual Financial Report and the School Corporation did not design or implement controls to ensure the accuracy of the new process. The School Corporation will implement procedures to ensure the Annual Financial Report, the source of the financial statement, is prepared by the Treasurer, and reviewed by the Superintendent prior to submission to ensure future compliance and accurate reporting of the Annual Financial Report.

Anticipated Completion Date: June 30, 2025



# Cannelton City Schools

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially occurred: 2022  
Current Audit Period: July 1, 2022-June 30, 2024

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

### Summary of Finding:

There was no review or oversight process in place related to the Annual Financial Report's grant schedule, resulting in material errors.

Status of Audit Finding: Not Corrected

### Response Comments:

The process for reporting the Annual Financial Report and the School Corporation did not design or implement controls to ensure the accuracy of the new process. The School Corporation will implement procedures to ensure the Annual Financial Report, the source of the SEFA, is prepared by the Treasurer, and reviewed by the Superintendent prior to submission to ensure future compliance and accurate reporting of the Annual Financial Report.

Anticipated Completion Date: June 30, 2025



# Cannelton City Schools

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Melissa Embry, Corporation Treasurer  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-003

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: July 1, 2022-June 30, 2024

Finding Subject: COVID-19 – Education Stabilization Fund – Equipment and Real Property Management

Summary of Finding:

Capital assets were purchased by the school corporation; however, they were not included on the school corporation's capital asset listing.

Status of Audit Finding: Fully Corrected



# Cannelton City Schools

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Melissa Embry, Corporation Treasurer  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-004

Fiscal year in which the finding initially occurred: 2022  
Current Audit Period: July 1, 2022-June 30, 2024

Finding Subject: COVID-19 - Education Stabilization Fund - Reporting

### Summary of Finding:

Reports were submitted without an oversight or review process in place to ensure the accuracy of the reports. The Reports also contained material errors in key line items.

Status of Audit Finding: Not Corrected

### Response Comments:

The school corporation did not design or implement adequate internal controls during the audit period. All required reports for the Education Stabilization Fund will be prepared by the Treasurer, and reviewed and approved by the Grant Administrator of the School Corporation to ensure future compliance with the federal program.

Anticipated completion date: January 31, 2025



# Cannelton City Schools

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Dr. Alva L. Sibbitt, Jr., Superintendent  
[alva.sibbitt@cannelton.k12.in.us](mailto:alva.sibbitt@cannelton.k12.in.us)

Melissa Embry, Corporation Treasurer  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-005

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: July 1, 2022-June 30, 2024

Finding Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

### Summary of Finding:

Contracts were signed into by the school corporation without including the appropriate Wage Rate Requirements clause, nor were any of the required certified payrolls presented for audit.

Status of Audit Finding: Not Corrected

### Response Comments:

The school corporation did not design or implement adequate internal controls during the audit period. Contracts will be Reviewed by the Treasurer and Grant Administrator to ensure the proper language is included in contracts for the federal program.

Anticipated completion date: January 31, 2025



# Cannelton City Schools

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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-001***

**Finding Subject:** Financial Transactions and Reporting

**Summary of Finding:** Deficiencies in the School Corporation's internal control system related to financial transactions and reporting.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** The Corporation Treasurer and the Grant Specialist will enter the information into the Annual Financial Report, and then the Superintendent will sign off on it. Bank Reconciliation will be performed by Treasurer and reviewed and approved by Deputy Treasurer to ensure all bank accounts are included in the reconciliation as well as all reconciling items are adequately explained. The Revenue History Report and Check Register, including payroll detail, will be ran monthly by the Treasurer, and presented to the School Board as part of the monthly meeting, to be reviewed and approved.

**Anticipated Completion Date:** August 2025



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-002***

**Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards**

**Summary of Finding: Internal controls over the federal award information.**

**Contact Person Responsible for Corrective Action: Melissa Embry**

**Contact Phone Number and Email Address: 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)**

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** The Corporation Treasurer and the Grant Specialist will enter the information and then the Superintendent will sign off on it.

**Anticipated Completion Date: August 2025**



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-003***

**Finding Subject:** Child Nutrition Cluster – Internal Controls

**Summary of Finding:** There was a lack of internal controls. Additionally, the School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** The food service director now gets all the reports and appropriate supporting documentation, including receipts and disbursements reports, together and goes over it with the high school secretary/deputy treasurer and is then submitted by the secretary/deputy treasurer, printed off and given to the corporation treasurer. The corporation treasurer has a copy of the submission and compares that to what is deposited. All claims have always been approved by the School Board. Cannelton management will establish a proper system of internal controls including policies and procedures related to risk assessment and monitoring activities within the federal program.

**Anticipated Completion Date:** August 2025



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-004***

**Finding Subject:** Child Nutrition Cluster-Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Summary of Finding:** Payments made based on statements or no supporting documentation. The School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Invoices are already being given to the Corporation Treasurer monthly and are being attached to each Accounts Payable Voucher to show exactly what is being paid for. Cannelton management will establish a proper system of internal controls including policies and procedures related to risk assessment and monitoring activities within the federal program.

**Anticipated Completion Date:** The noncompliance was corrected as of January 2025. The additional controls will be implemented by August 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-005***

**Finding Subject:** Child Nutrition Cluster-Procurement and Suspension and Debarment

**Summary of Finding:** The school corporation made purchases from vendors without using the procurement method and verifying that the vendor was not suspended or debarred. The School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637

[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** We will follow all correct procurement plans set forth in the future. We will also verify with each vendor and have a form filled out stating that they are not suspended or debarred. Cannelton management will establish a proper system of internal controls including policies and procedures related to risk assessment and monitoring activities within the federal program.

**Anticipated Completion Date:** The School will ensure proper procurement methods are followed and that vendors are properly checked for suspension and debarment by December 2025. The additional controls will be implemented by August 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-006***

**Finding Subject:** Covid-19-Education Stabilization Fund - Internal Controls

**Summary of Finding:** The School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal controls to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Cannelton management will establish a proper system of internal controls including policies and procedures related to risk assessment and monitoring activities within the federal program. All of the Covid-19 Education Stabilization Funds have been expended at this time.

**Anticipated Completion Date:** August 2025



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-007***

**Finding Subject:** Covid-19-Education Stabilization Fund-Allowable Costs/Cost Principles

**Summary of Finding:** This finding claims federal awards were not in compliance with the terms and conditions as well as the allowable cost compliance requirements. Additionally, the School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding. The reason we spent the money the way we did is because the IDOE approved our budget. We spent exactly as it was approved not knowing that we could not spend it on items or services that were being paid for prior to the grant's application. If it was not supposed to be spent this way, then IDOE should have never approved it. To prevent noncompliance going forward, the school's grant administrator will review disbursements of the program to ensure they were not spent on items or services that were in place prior to the grant's application.

**Description of Corrective Action Plan:** To prevent noncompliance going forward, the school's grant administrator will review disbursements of the program to ensure they were not spent on items or services that were in place prior to the grant's application. Cannelton management will establish a proper system of internal controls including policies and procedures related to risk assessment and monitoring activities within the federal program.

**Anticipated Completion Date:** The noncompliance will be addressed immediately. The additional controls will be implemented by August 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-008***

**Finding Subject:** Covid-19-Education Stabilization Fund-Reporting

**Summary of Finding:** Not all reports filed by the school corporation during the audit period were properly supported by the records of the school corporation. Additionally, the School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding. However, these data collections reports are not user-friendly and we receive very little guidance on how to do them. One email that we received from the IDOE stated it was for the ESSER III year 3, however the attachment was named year 4 with the year 3 dates listed on the spreadsheet. The due date that it showed for this report was July 24, 2025 on the subject of the memo, but said July 24, 2024 within the body of the memo.

**Description of Corrective Action Plan:** In the future all reports will be done by the Corporation Treasurer and the Grant Specialist and signed off on by the Superintendent.

**Anticipated Completion Date:** The noncompliance will be addressed immediately. The additional controls will be implemented by August 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2024-009***

**Finding Subject:** Covid-19-Education Stabilization Fund-Special Test and Provisions-Wage Rate Requirements

**Summary of Finding:** Construction contracts in excess of \$2000 financed by federal assistance funds must pay prevailing wage rates by the Department of Labor. Additionally, the School corporation did not properly implement a process to identify and assess internal and external risks, or monitor internal control activities to ensure they were operating effectively.

**Contact Person Responsible for Corrective Action:** Melissa Embry

**Contact Phone Number and Email Address:** 812-547-2637  
[melissa.embry@cannelton.k12.in.us](mailto:melissa.embry@cannelton.k12.in.us)

**Views of Responsible Officials:** We concur with the finding. However, this is not a new finding. This is continued from the previous audit period under the same contract. No new contracts were made in the current audit period.

**Description of Corrective Action Plan:** The Superintendent will make sure to let the contractors know when we are using federal monies so that they include the payment of prevailing wage in the contract.

**Anticipated Completion Date:** The noncompliance will be addressed immediately. The additional controls will be implemented by August 2025.

## 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/>.