

**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

EAST GIBSON SCHOOL CORPORATION

GIBSON COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/11/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ginger E. Schenks	07-01-22 to 06-30-25
Superintendent of Schools	Henry Brewster (interim)	07-01-22 to 08-07-22
	James Wilson (deceased)	08-08-22 to 08-24-23
	(Vacant)	08-25-23 to 09-11-23
	Richard Rutherford (interim)	09-12-23 to 05-13-24
	Dr. Michael Galvin	05-14-24 to 06-30-25
President of the School Board	Stephen Sevier	07-01-22 to 12-31-25



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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 EAST GIBSON SCHOOL CORPORATION, GIBSON 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 East Gibson 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 26, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Gibson 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 26, 2025



Paul D. Joyce, CPA
State Examiner

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the East Gibson 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 its major federal program for the period of July 1, 2022 to June 30, 2024. The School Corporation's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* 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 COVID-19 - Education Stabilization Fund for the period of July 1, 2022 to June 30, 2024.

Basis for Qualified Opinion

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.

Matter Giving Rise to Qualified 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 item 2024-003 for Reporting. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

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.
- 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.

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance finding 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 item 2024-003, 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.

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.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated February 26, 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 26, 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.

EAST GIBSON 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	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			SY 2022-23	\$ -	\$ 95,523	\$ -	\$ -
School Breakfast Program			SY 2023-24	-	-	-	85,683
Total - School Breakfast Program				-	95,523	-	85,683
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			SY 2022-23	-	264,093	-	-
School Lunch Program			SY 2023-24	-	-	-	207,021
Supply Chain Funds			SY 2022-23 / SY 2023-24	-	47,642	-	28,290
Commodities				-	33,704	-	35,158
Total - National School Lunch Program				-	345,439	-	270,469
Special Milk Program for Children							
Special Milk Program	Indiana Department of Education	10.556					
Special Milk Program			SY 2022-23	-	417	-	-
Special Milk Program			SY 2023-24	-	-	-	344
Total - Special Milk Program for Children				-	417	-	344
Total - Child Nutrition Cluster				-	441,379	-	356,496
Pandemic EBT Administrative Costs							
Child Nutrition SNP/PEBT Funds	Indiana Department of Education	10.649					
			SY 2022-23	-	628	-	-
Total - Department of Agriculture				-	442,007	-	356,496
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027A					
FY 2022 Part B 611			22611-074-PN01	-	160,362	-	-
FY2023 Part B 611			23611-074-PN01	-	60,086	-	148,622
FY2024 Part B 611			24611-074-PN01	-	-	-	92,871
Subtotal - Special Education Grants to States				-	220,448	-	241,493
COVID-19 - Special Education Grants to States							
84.027X IDEA ARP Act of 2021	Indiana Department of Education	84.027X					
			22611-074-ARP	-	39,746	-	-
Total - Special Education Grants to States				-	260,194	-	241,493
Special Education Preschool Grants							
Special Education Preschool Grants	Indiana Department of Education	84.173A					
FY 2022 Part B 619			22619-074-PN01	-	967	-	-
FY 2023 Part B 619			23619-074-PN01	-	8,939	-	106
FY24 Part B 619			24619-074-PN01	-	-	-	7,278
Subtotal - Special Education Preschool Grants				-	9,906	-	7,384

EAST GIBSON 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	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
COVID-19 - Special Education Preschool Grants 84.173X IDEA ARP Act of 2021	Indiana Department of Education	84.173X	22619-074-ARP	-	3,264	-	-
Total - Special Education Preschool Grants				-	13,170	-	7,384
Total - Special Education Cluster (IDEA)				-	273,364	-	248,877
Title I Grants to Local Educational Agencies Title I FY2022	Indiana Department of Education	84.010	S010A210014	-	45,264	-	-
Title I FY2022			S010A220014	-	92,233	-	47,302
Title I FY 2023			S010A230014	-	-	-	96,136
Total - Title I Grants to Local Educational Agencies				-	137,497	-	143,438
Supporting Effective Instruction State Grants Title II Part A FY 2021	Indiana Department of Education	84.367	S367A210013	-	22,692	-	497
Title II Part A FY 2022			S367A220013	-	18,290	-	7,575
Title II-A FFY 2023 (FY24)			S367A230013	-	-	-	12,804
Total - Supporting Effective Instruction State Grants				-	40,982	-	20,876
Student Support and Academic Enrichment Program Title IV Part A FY 2023	Indiana Department of Education	84.424	S424A210015	-	-	-	5,165
Title IV Part A FFY21			A424A220015	-	-	-	10,000
Total - Student Support and Academic Enrichment Program				-	-	-	15,165
COVID-19 - Education Stabilization Fund Federal Stimulus-18002 Governors Emergency Education Relief Fund (GEER)	Indiana Department of Education	84.425C	S425C200018	-	2,467	-	-
18003 Education Stabilization Relief Fund CARES		84.425D	S425D200013	-	14,221	-	-
ESSER II		84.425D	S425D210013	-	57,861	-	269,214
ESSER III		84.425U	S425U210013	-	301,620	-	615,898
Total - COVID-19 - Education Stabilization Fund				-	376,169	-	885,112
Total - Department of Education				-	828,012	-	1,313,468
<u>Department of Health and Human Services</u> Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Reimbursement-Federal			FY 22-23	-	6,346	-	-
Medicaid Reimbursement-Federal			FY 23-24	-	-	-	7,545
Total - Medical Assistance Program				-	6,346	-	7,545
Total - Medicaid Cluster				-	6,346	-	7,545
Total - Department of Health and Human Services				-	6,346	-	7,545
Total federal awards expended				\$ -	\$ 1,276,365	\$ -	\$ 1,677,509

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

EAST GIBSON 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.

EAST GIBSON 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?	no

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2024-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition and Context

The School Corporation is required to file financial reports after the close of each year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), had not been established. The Treasurer prepared and submitted the federal award information into Gateway without a documented review or oversight process in place to prevent, or detect and correct, errors in the federal expenditure information prior to submission.

EAST GIBSON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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; . . ."

Cause

Management of the School Corporation had not established a system of internal controls 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 could remain undetected. Errors in the reporting of federal grants, if undetected, could result in improper determination of the requirement of a single audit and the determination of major programs, in addition to being misleading to the readers of the Annual Financial Report and this audit report.

Views of Responsible Officials

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

EAST GIBSON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2024-002

Subject: Financial Close and Reporting
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not established internal controls over 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, which is the source of the School Corporation's financial statement. The School Corporation filed the AFR as prescribed; however, the School Corporation did not establish internal controls over the financial information entered into the AFR. The Treasurer prepared and submitted the financial information into the AFR; however, there was no documented oversight, review, or approval process in place to prevent, or detect and correct, errors in the financial information prior to submission of the AFR.

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. . . ."

Cause

Management of the School Corporation had not established internal controls to ensure the accuracy of the financial information entered into the AFR.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatement of the financial statement could occur and remain undetected. Misstatement of the financial statement could mislead the readers of the financial statement, which could result in improper decision-making.

Views of Responsible Officials

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

EAST GIBSON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-003

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Indiana Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation was required to submit annual data reports to the Indiana Department of Education (IDOE) via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period, the School Corporation submitted one ESSER I report, two ESSER II reports, and two ESSER III reports for a total of five reports. The annual data reports were compiled, prepared, and submitted by the Treasurer without an oversight or review process in place to prevent, or detect and correct, errors.

In addition, the five annual data reports were not supported by the School Corporation's records. The documentation used to prepare the reports was not retained by the School Corporation and the ledger activity for the time period of each report did not agree to the data submitted. As such, the Indiana State Board of Accounts could not verify the information submitted to the IDOE was accurate or complete.

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). . . ."

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 the Federal awards that are renewed quarterly or annual, from the date of 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. . . ."

EAST GIBSON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."
- (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, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

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

A proper system of internal controls, which include segregation of key functions, was not established by management of the School Corporation to ensure that reports filed were supported by School Corporation records and had an independent review, for accuracy and completeness, prior to submission.

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation submitted reports that were not supported by School Corporation records. 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure that documentation utilized in the preparation of the reports is maintained and that there is an independent review of the reports for accuracy and completeness prior to submission.

Views of Responsible Officials

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



AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



Dr. Michael Galvin
Superintendent

Ginger Schenks
Treasurer

Christina Saulmon
Payroll/Personnel

Steve Rhoden
Maintenance/Transportation

CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject:

Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding:

Lack of internal controls over Annual Financial Report in Gateway. Treasurer submits report but there is no supporting documents proving anyone looks over the report prior to submission.

Contact Person Responsible for Corrective Action:

Ginger Schenks

Contact Phone Number and Email Address:

812-749-4755 ext 1143; gschenks@corp.egsc.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The Treasurer will continue to put the information in Gateway for the Annual Financial Report including all federal grant information. The Superintendent will log onto Gateway to review the information. This will be documented by way of an email the Treasurer will send to the Superintendent. The Superintendent will respond to the email confirming the information in Gateway is approved. This email with responses will be saved in the Treasurer's email folder labeled "Emails for Audit".

Anticipated Completion Date:

This Corrective Action Plan will begin with the next AFR for the 2024-2025 time period, due in Aug, 2025.



Dr. Michael Galvin
Superintendent

Ginger Schenks
Treasurer

Christina Saulmon
Payroll/Personnel

Steve Rhoden
Maintenance/Transportation

CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Financial Close and Reporting

Summary of Finding:

Material Weakness in the financial close and reporting of the Annual Financial Report. We did not establish internal controls over the financial information entered into the AFR.

Contact Person Responsible for Corrective Action: Ginger Schenks

Contact Phone Number and Email Address: 812-749-4755 ext 1143; gschenks@corp.egsc.k12.in.us

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan:

The Treasurer will continue to input information for the AFR in Gateway. The Superintendent will log onto Gateway and look over information after the Treasurer sends an email stating the information has been entered & needs to be approved prior to submission. The Superintendent will respond to the email with approval. The Treasurer will submit the AFR and download the full report. Both the Treasurer and Superintendent will sign and date the report and that will be kept in a file folder in the Treasurer's office. Also, the email thread with responses will be kept in the Treasurer's email folder marked "Emails for Audit".

Anticipated Completion Date:

The report for the 2023-2024 AFR has been printed and the Superintendent and Treasurer have signed this report. The email thread will begin with the next AFR for 2024-2025, which is due in Aug, 2025.



Dr. Michael Galvin
Superintendent

Ginger Schenks
Treasurer

Christina Saulmon
Payroll/Personnel

Steve Rhoden
Maintenance/Transportation

CORRECTIVE ACTION PLAN

FINDING 2024-003

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

Summary of Finding:

Annual Report for ESSER grants were all submitted but there was no supporting documentation showing internal controls of another person reviewing the information that was submitted was accurate.

Contact Person Responsible for Corrective Action: Ginger Schenks

Contact Phone Number and Email Address: 812-749-4755 ext 1143; gschenks@corp.egsc.k12.in.us

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan:

The Treasurer will work with the Superintendent and/or Grant Administrator ensuring that annual financial reporting for federal grants is completed on time with review by the Superintendent. The Treasurer will supply the financial data for the time period of reporting to the Grant Administrator and/or Superintendent for their approval and submission of the annual financial report. The Superintendent and/or Grant Administrator will ensure that expenses align with the grant application prior to submission. The report and supporting documentation will be downloaded and the Treasurer and Superintendent will sign and date that report. This document will be in the grant folder in the Treasurer's Office.

Anticipated Completion Date:

This process will begin with the next annual financial report due date.

OTHER REPORTS

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