

**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

SCOTT COUNTY SCHOOL DISTRICT 1

SCOTT COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/10/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jami R. Parks	07-01-22 to 06-30-25
Superintendent of Schools	Trevor Jones	07-01-22 to 06-30-25
President of the School Board	Kathy Morris David Deaton Darlene Hall Ryan Payne	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 06-30-25



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 SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT 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 Scott County School District 1 (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 25, 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.

***Scott County School District 1'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 25, 2025



Paul D. Joyce, CPA  
State Examiner

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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 SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

## Report on Compliance for Each Major Federal Program

### ***Qualified and Unmodified Opinions***

We have audited the Scott County School District 1'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 COVID-19 - Education Stabilization Fund***

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

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2022 to June 30, 2024.

### **Basis for Qualified and Unmodified 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 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 2024-005 for Equipment and Real Property Management. Compliance with such requirement is 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.
- 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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Other Matters**

*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, and 2024-005, 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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated February 25, 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 25, 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.

SCOTT COUNTY SCHOOL DISTRICT 1  
 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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2022-23	\$ -	\$ 167,177	\$ -	\$ -
School Breakfast Program			2023-24	-	-	-	182,772
Total - School Breakfast Program				-	167,177	-	182,772
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			2022-23	-	568,133	-	-
School Lunch Program			2023-24	-	-	-	574,602
School Lunch Program - Commodities			2022-23	-	44,851	-	-
School Lunch Program - Commodities			2023-24	-	-	-	34,354
School Lunch Program - Supply Chain			2022-23	-	78,454	-	-
School Lunch Program - Supply Chain			2023-24	-	-	-	43,998
Total - National School Lunch Program				-	691,438	-	652,954
Total - Child Nutrition Cluster				-	858,615	-	835,726
COVID-19 - Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649	2022-23	-	628	-	-
Total - Department of Agriculture				-	859,243	-	835,726
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY2021 Fed Part B 611	Indiana Department of Education	84.027	21611-035-PN01	-	38,231	-	-
FY2022 Fed Part B 611			22611-035-PN01	-	246,333	-	-
FY2022 Fed Part B 611			22611-035-PN01	-	-	-	16,419
FY2023 Fed Part B 611			23611-035-PN01	-	40,077	-	-
FY2023 Fed Part B 611			23611-035-PN01	-	-	-	254,689
FY2024 Fed Part B 611			24611-035-PN01	-	-	-	69,478
Subtotal - Special Education Grants to States				-	324,641	-	340,586
COVID-19 - Special Education Grants to States							
FY 2022 IDEA ARP 611	Indiana Department of Education	84.027	22611-035-ARP	-	93,712	-	-
FY 2022 IDEA ARP 611			22611-035-ARP	-	-	-	1,641
Subtotal - COVID-19 - Special Education Grants to States				-	93,712	-	1,641
Total - Special Education Grants to States				-	418,353	-	342,227
Special Education Preschool Grants							
FY2021 Fed Preschool 619	Indiana Department of Education	84.173	21619-035-PN01	-	2,611	-	-
FY2022 Fed Preschool 619			22619-035-PN01	-	8,758	-	-
FY2022 Fed Preschool 619			22619-035-PN01	-	-	-	624
FY2023 Fed Preschool 619			23619-035-PN01	-	148	-	-
FY2023 Fed Preschool 619			23619-035-PN01	-	-	-	6,211
FY2024 Fed Preschool 619			24619-035-PN01	-	-	-	65
Subtotal - Special Education Preschool Grants				-	11,517	-	6,900

SCOTT COUNTY SCHOOL DISTRICT 1  
 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	Indiana Department of Education	84.173					
FY 2022 IDEA ARP 619			22619-035-ARP	-	273	-	-
FY 2022 IDEA ARP 619			22619-035-ARP	-	-	-	4,148
Subtotal - COVID-19 - Special Education Preschool Grants				-	273	-	4,148
Total - Special Education Preschool Grants				-	11,790	-	11,048
Total - Special Education Cluster (IDEA)				-	430,143	-	353,275
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Grants to Local Educational Agencies			S010A210014	-	209,238	-	-
Title I Grants to Local Educational Agencies			S010A220014	-	119,371	-	311,815
Title I Grants to Local Educational Agencies			S010A230014	-	-	-	262,126
Total - Title I Grants to Local Educational Agencies				-	328,609	-	573,941
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
Twenty-First Century Community Learning Centers			S287C200014	-	69,138	-	-
Twenty-First Century Community Learning Centers			S287C220014	-	100,246	-	189,512
Twenty-First Century Community Learning Centers			S287C230014	-	-	-	200,247
Total - Twenty-First Century Community Learning Centers				-	169,384	-	389,759
Rural Education	Indiana Department of Education	84.358					
Rural Education			S358B190014	-	1,614	-	-
Rural Education			S358B220014	-	-	-	28,763
Total - Rural Education				-	1,614	-	28,763
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Supporting Effective Instruction State Grants			S367A20013-20A	-	38,840	-	-
Supporting Effective Instruction State Grants			S367A210013	-	-	-	41,517
Total - Supporting Effective Instruction State Grants				-	38,840	-	41,517
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A210015	-	23,042	-	-
Title IV Part A			S424A220015	-	-	-	31,215
Total - Student Support and Academic Enrichment Program				-	23,042	-	31,215
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
Elementary and Secondary School Emergency Relief (ESSER) Fund		84.425D	S425D210013	-	125,429	-	287,478
Elementary and Secondary School Emergency Relief (ESSER) Fund		84.425U	S425U210013	-	816,918	-	1,002,917
Total - COVID-19 - Education Stabilization Fund				-	942,347	-	1,290,395
Total - Department of Education				-	1,933,979	-	2,708,865
Total federal awards expended				\$ -	\$ 2,793,222	\$ -	\$ 3,544,591

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

SESCOTT COUNTY SCHOOL DISTRICT 1  
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 non-federal 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. Madison Area Educational Special Services Unit**

The School Corporation is a member of the Madison Area Educational Special Services Unit (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.

SCOTT COUNTY SCHOOL DISTRICT 1  
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
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
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

**Section II - Financial Statement Findings**

**FINDING 2024-001**

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

*Repeat Finding*

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

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The School Corporation had not established internal controls over the federal award information entered into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The Treasurer prepared and entered the federal award information into the AFR and there was no other secondary review or approval process to verify the accuracy of the information prior to submission.

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

- The Child Nutrition Cluster expenditures were omitted, which understated expenditures by \$858,615 and \$835,726 for fiscal years 2022-2023 and 2023-2024, respectively.
- The Title I Grants to Local Educational Agencies expenditures were omitted, which understated expenditures by \$328,609 and \$573,941 for 2022-2023 and 2023-2024, respectively.
- The Twenty-First Century Community Learning Centers expenditures were omitted, which understated expenditures by \$169,384 and \$389,759 for 2022-2023 and 2023-2024, respectively.
- The COVID-19 - Education Stabilization Fund expenditures were omitted, which understated expenditures by \$942,347 and \$1,290,395 for 2022-2023 and 2023-2024, respectively.
- Four other grants had individually immaterial errors for 2022-2023 that resulted in misstatements of expenditures of \$64,124 in total. Five other grants had individually immaterial errors for 2023-2024 that resulted in misstatements of expenditures of \$101,973 in total.

Audit 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. . . .

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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; . . ."

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.

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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."

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](#)."

*Cause*

One employee compiled and entered the grant information for the SEFA into the AFRs, and there was no secondary review of the information for accuracy prior to submission. The submitter only entered the Special Education Cluster (IDEA) grants into the AFRs and no other grants were listed.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Material misstatements of the SEFA remained undetected since no secondary review was conducted. The SEFA 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: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed. The School Corporation filed the reports as prescribed; however, a proper system of internal controls was not in place to prevent, or detect and correct, errors on the School Corporation's Annual Financial Report (AFR) and financial statement.

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not designed or implemented a system of internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's AFR and financial statement. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

- Four funds were omitted from the AFR. This caused the fiscal year 2022-2023 and 2023-2024 receipts to be understated by \$119,371 and \$413,310, respectively. The 2022-2023 and 2023-2024 disbursements were understated by \$347,106 and \$287,516, respectively.
- The 2022-2023 Education fund disbursements were understated by \$100,000.
- The Payroll Withholding funds activity on the AFR was incorrectly reported. For 2022-2023, receipts and disbursements were both understated by \$133,613. For 2023-2024, receipts and disbursements were both understated by \$127,066.
- A fund entitled Transfers Between Banks was included on the AFR. This fund was used by the School Corporation on its ledger to solely record transfers between banks. This should not have been included on the AFR and the financial statement. This caused receipts and disbursements to both be overstated by \$482,354 in 2022-2023 and \$1,743,292 in 2023-2024.
- Transactions totaling \$993,293 in 2022-2023 were incorrectly recorded on the AFR as Transfers In and Transfers Out within Other Financing Sources and (Uses), but should have been recorded as receipts and disbursements, as they were for correcting entries.
- For 2022-2023, two transfers totaling \$542,947 were not reported as Transfers In and Transfers Out within Other Financing Sources and (Uses). For 2023-2024, one transfer totaling \$259,817 was not reported as Transfers In and Transfers Out within Other Financing Sources and (Uses).

Adjustments were proposed, accepted by the School Corporation, and made to 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. . . .

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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](#)."

*Cause*

The School Corporation's management had not established an effective system of internal controls over financial close and reporting. Although one individual was compiling and inputting the financial information into the AFR, and a secondary individual was reviewing the information prior to submission, it was not effective in detecting errors within the AFR. The secondary review did not identify the errors included in the *Condition and Context*.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement remained undetected. Since the secondary review was not effective, 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.

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

**FINDING 2024-003**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,  
Allowable Costs/Cost Principles, Period of Performance

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, COVID-19 - Special Education  
Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 21611-035-PN01, 22611-035-PN01,  
21619-035-PN01, 22611-035-ARP,  
23611-035-PN01, 24611-035-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost  
Principles, Period of Performance

Audit Finding: Material Weakness

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The School Corporation was a participating member of the Madison Area Education Special Services Unit Cooperative (Cooperative). The School Corporation was reimbursed by the Cooperative, based on invoices prepared and submitted by the School Corporation for payments to substitute teachers and audit costs related to the special education grants. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

During the audit period, the Deputy Treasurer would prepare Excel spreadsheets of reimbursable expenses and submit them directly to the Cooperative without any secondary review. There was no evidence of administrative oversight of the invoice preparation and submission process by another knowledgeable individual to ensure that the amounts invoiced were for activities allowed, that the costs were allowable, and were for costs incurred during the period of performance.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements for reimbursable expenses paid by the School Corporation. Those expenses were submitted to the Cooperative for reimbursement from the special education grant funds without any secondary review to ensure that they were legitimate expenses that could be paid from the grant.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements. Noncompliance could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish and implement a system of internal controls related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

*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: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A210014, S010A220014, S010A230014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-003.

*Condition and Context*

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement until the fiscal year 2023-2024.

The School Corporation had not established internal controls for most of the audit period to ensure that the required documentation to remove a student from a cohort was confirmed and maintained with the withdrawal forms prior to removing the student from the cohort. Starting in 2023-2024, the building principal now signs off on the supporting documentation that is being retained to support a student's withdrawal from the cohort.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCOTT COUNTY SCHOOL DISTRICT 1  
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*

The School Corporation's management had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement until 2023-2024. Prior to 2023-2024, no one was verifying that the appropriate documentation was being retained to support removing a student from the cohort.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. Noncompliance could result in students being improperly removed from the cohort.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management continue to implement the system of internal controls that was designed during 2023-2024 to ensure compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*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: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Number: 84.425  
Federal Award Number and Year (or Other Identifying Number): S425D210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

A property record or capital asset listing would include the following for each asset: a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The property record or capital asset listing should be maintained for assets purchased that exceed the School Corporation's capitalization threshold.

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not include all assets purchased with the COVID-19 - Education Stabilization Fund award. The School Corporation paid for the HVAC systems totaling \$234,000 with Education Stabilization Funds during the audit period. These assets were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of the funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of property, the location, and the use and condition of the property. In addition, a physical inventory had not been taken in the past two years and assets were not properly safeguarded and maintained.

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 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the funding of the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

SCOTT COUNTY SCHOOL DISTRICT 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

*Cause*

A proper system of internal controls was not designed by management of the School Corporation to ensure that a physical inventory of all capital assets was conducted at least every two years and reconciled back to the detailed listing. The lack of physical inventory resulted in some assets purchased with federal funds to be omitted from the detailed listing. Policies and procedures were not in place to make sure that the detailed capital assets listing included all required information.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the School Corporation had not properly included real property purchased with federal dollars on the asset listing and the asset listing did not include all the required information. In addition, a physical inventory was not conducted every two years so that the asset listing could be verified.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls, and develop procedures to ensure asset records include all the necessary information and that a physical inventory is conducted every two years 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.

SCOTT COUNTY SCHOOL DISTRICT 1

255 Highway 31 S. P.O. Box 9

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDINGS 2020-001 AND 2022-001**

**Fiscal year in which the finding initially occurred: 2014**

**Current Audit Period: 07/01/2022-06/30/2024**

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

**Summary of Finding:** The School Corporation had not established internal controls over the federal award information entered in 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). The Business Manager prepared and entered the financial information into Gateway with no oversight, review, or approval process in place to prevent, or detect and correct, errors on the SEFA.

**Status of Audit Finding:** Not corrected

**Response Comments:** Business Manager is the only employee in the Business Office with the understanding to complete the SEFA. A second member of the central office staff will be trained on the contents of the SEFA, and they will review and approve the SEFA before the Corporation Treasurer submits it with the Annual Financial Reports.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDINGS 2020-004 AND 2022-002**

**Fiscal year in which the finding initially occurred: 2014**

**Current Audit Period: 07/01/2022-06/30/2024**

**Finding Subject:** Child Nutrition Cluster – Procurement and Suspension and Debarment  
**Summary of Finding:** An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

**Status of Audit Finding:** Fully corrected and the original corrective action was implemented.

**Response Comments:** None

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDINGS 2020-007 AND 2022-003**

**Fiscal year in which the finding initially occurred: 2020**

**Current Audit Period: 07/01/2022-06/30/2024**

**Finding Subject:** Title I Grants to Local Educational Agencies – Special Tests & Provisions – Annual Report Card, High School Graduation Rate

**Summary of Finding:** An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation had not established internal controls to ensure that the required documentation to remove a student from a cohort was confirmed and maintained with the withdrawal forms prior to removing the student.

**Status of Audit Finding:** Partially Corrected

**Response Comments:** Evidence will be obtained to support withdraw of student and a second employee will sign the supporting documentation verifying the removal of the student is warranted. This began starting in the 2023-2024 school year, so it will not have been fully corrected for the audit period.

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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: 07/01/2022-06/30/2024**

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

**Summary of Finding:** An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement. The School Corporation had not designed, nor implemented a system of internal control to ensure new equipment was properly handled. The School Corporation paid for a HVAC system totaling \$153,476 with Education Stabilization Funds. These assets were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and the use and condition of the property. In addition, a physical inventory had not been taken in the past two years and assets were not properly safeguarded and maintained.

**Status of Audit Finding:** Not Corrected

**Response Comments:** Physical Inventory was not taken in 2023 and Capital Asset log has not been maintained properly. Once Corrective Action Plan is implemented, a physical inventory will be completed, and this will be used to update the capital asset log.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2022-005**

**Fiscal year in which the finding initially occurred: 2022**

**Current Audit Period: 07/01/2022-06/30/2024**

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

**Summary of Finding:** An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation had not designed, nor implemented a system of internal control to ensure reports were complete and accurately submitted. The Reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors. Additionally, the GEER I, Year I and Year 2, and ESSER I, Year I reports were not supported by the School Corporation's records. One line item chosen for review and verification was determined to be incorrectly reported on each of these reports. The lack of internal controls and noncompliance were systemic issues throughout the audit period

**Status of Audit Finding:** Fully Corrected and the original corrective action was implemented

**Response Comments:** None

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2022-006**

**Fiscal year in which the finding initially occurred: 2022**  
**Current Audit Period: 07/01/2022-06/30/2024**

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

**Summary of Finding:** An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. 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 had not designed, nor implemented a system of internal control to ensure that the wage rate requirements were met for a construction project. The School Corporation hired S L Electric to complete the work on the new HVAC system. The total amount of the project was \$153,476. As a contract was not properly entered into between the School Corporation and S L Electric the required wage rate provisions, a contract clause, and certified payrolls, were not presented for audit. The lack of internal controls and noncompliance were systemic issues throughout the audit period.

**Status of Audit Finding:** Fully corrected and the original corrective action was implemented.

**Response Comments:** None

# SCOTT COUNTY SCHOOL DISTRICT 1

255 Highway 31 S. P.O. Box 9

AUSTIN, IN 47102

812-794-8750 or FAX: 812-794-8765

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## CORRECTIVE ACTION PLAN

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

**Finding Subject:** Preparation of the Schedule of Expenditures of Federal Awards, Material Weakness and Noncompliance

#### **Summary of Finding:**

This was a repeat finding. The School Corporation had not established internal controls over the federal award information entered in 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). The Business Manager prepared and entered the financial information into Gateway with no oversight, review, or approval process in place to prevent, or detect and correct, errors on the SEFA.

**Contact Person Responsible for Corrective Action:** Jami Parks, Business Manager

**Contact Phone Number and Email Address:** 812-794-9630, jami.parks@scsd1.com

#### **Views of Responsible Officials:**

*We concur with the finding.*

#### **Description of Corrective Action Plan:**

The Business Manager will complete the SEFA and one the Deputy Treasurers in the central office will review the SEFA before it is submitted with the APR.

#### **Anticipated Completion Date:**

The anticipated completion date will be with the upcoming Gateway APR, 08/31/2025.

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<sup>1</sup> *Per Uniform Guidance:*

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action plan, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”

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## CORRECTIVE ACTION PLAN

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

**Finding Subject:** Financial Transactions and Reporting, Material Weakness and Noncompliance

#### **Summary of Finding:**

The School Corporation filed the reports as prescribed; however, a proper system of internal control was not in place to prevent or detect and correct errors on the School Corporation's Annual Financial Report (AFR) and financial statement. The School Corporation had not designed or implemented a system of internal control over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's AFR and financial statement. Although one employee prepared and entered the financial information into the Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

**Contact Person Responsible for Corrective Action:** Jami Parks, Business Manager

**Contact Phone Number and Email Address:** 812-794-9630, jami.parks@scsd1.com

#### **Views of Responsible Officials:**

*We concur with the finding.*

#### **Description of Corrective Action Plan:**

The Business Manager will complete the financial information section of the AFR and one of the Deputy Treasurers in the central office will review the AFR before it is submitted.

#### **Anticipated Completion Date:**

The anticipated completion date will be with the upcoming Gateway AFR, 08/31/2025.

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<sup>1</sup> *Per Uniform Guidance:*

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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## CORRECTIVE ACTION PLAN

### **FINDING 2024-003**

**Finding Subject:** Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Material Weakness

#### **Summary of Finding:**

There is no administrative review of reimbursable expenses submitted to MAESSU by the district payroll clerks. Lack of an internal control.

**Contact Person Responsible for Corrective Action:** Jami Parks, Business Manager  
**Contact Phone Number and Email Address:** 812-794-9630, jami.parks@scsd1.com

#### **Views of Responsible Officials:**

*We concur with the finding.*

#### **Description of Corrective Action Plan:**

The Payroll Clerk will submit the reimbursement requests to the corporation Business Manager for review before the reimbursement is submitted to MAESSU for payment.

#### **Anticipated Completion Date:**

The anticipated completion date will be with the April reimbursement submission.

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<sup>1</sup> Per Uniform Guidance:

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2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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## CORRECTIVE ACTION PLAN

### **FINDING 2024-004**

**Finding Subject:** Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate, Material Weakness

#### **Summary of Finding:**

This was a repeat finding. An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card High School Graduation Rate compliance requirement until the 2023/2024 school year.

The School Corporation had not established internal controls for most of the audit period to ensure that the required documentation to remove a student from a cohort was confirmed and maintained with the withdrawal forms prior to removing the student from the cohort.

**Contact Person Responsible for Corrective Action:** Jami Parks, Business Manager  
**Contact Phone Number and Email Address:** 812-794-9630, jami.parks@scsd1.com

#### **Views of Responsible Officials:**

*We concur with the finding.*

#### **Description of Corrective Action Plan:**

Starting in the 2023/2024 school year, the building principal now signs off on the supporting documentation that is being retained to support a student's withdrawal from the cohort.

#### **Anticipated Completion Date:**

The anticipated completion date was the 2023/2024 school year.

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<sup>1</sup> *Per Uniform Guidance:*

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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CORRECTIVE ACTION PLAN

**FINDING 2024-005**

**Finding Subject:** COVID-19 - Education Stabilization Fund - Equipment and Real Property Management, Equipment and Real Property Management, Material Weakness, Modified Opinion  
**Summary of Finding:**

The corporation is not maintaining a detailed capital asset listing.

**Contact Person Responsible for Corrective Action:** Jami Parks, Business Manager  
**Contact Phone Number and Email Address:** 812-794-9630, jami.parks@scsd1.com

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

**Description of Corrective Action Plan:**

The corporation will revise their capital asset listing to include what capital assets are purchased with federal grant funds, and for how much those assets were purchased for.

**Anticipated Completion Date:**

The anticipated completion date will be by the submission of the Gateway APR, 08/31/2025

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<sup>1</sup> Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS. ”

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## 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/>.