

**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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION

HARRISON COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/27/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-9
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	13-15
Notes to Schedule of Expenditures of Federal Awards.....	16
Schedule of Findings and Questioned Costs.....	17-29
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	32
Corrective Action Plan	33-38
Other Reports.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carolyn E. Wallace	07-01-22 to 06-30-25
Superintendent of Schools	Dr. Mark A. Eastridge	07-01-22 to 06-30-25
President of the School Board	Mary J. Mathes	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 SOUTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the South Harrison Community 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 March 18, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

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*.

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

March 18, 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 SOUTH HARRISON COMMUNITY SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the South Harrison Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 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.

Qualified Opinion on the Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2022 to June 30, 2024.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2022 to June 30, 2024.

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)

Basis for Qualified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

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 2024-002 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.

Matter Giving Rise to Qualified Opinion on the Special Education Cluster (IDEA)

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA), as described in item 2024-005 for Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

Matter Giving Rise to Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.010 Title I Grants to Local Educational Agencies, as described in item 2024-001 for Eligibility. Consequently, we were unable to determine whether the School Corporation complied with those 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.

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)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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 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 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, and 2024-006, 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 March 18, 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

March 18, 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.



SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 06-30-24
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast Program			FY23	\$ 371,440	\$ -
School Breakfast Program			FY24	-	331,324
				<u>371,440</u>	<u>331,324</u>
Total - School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555			
School Lunch Program			FY23	1,038,910	-
After School Snack Program			FY23	20,898	-
School Lunch Program			FY24	-	918,924
After School Snack Program			FY24	-	16,108
Supply Chain Assistance Funds			FY23, FY24	150,291	95,757
Commodities			FY23, FY24	142,451	158,045
				<u>1,352,550</u>	<u>1,188,834</u>
Total - National School Lunch Program					
Total - Child Nutrition Cluster					
				<u>1,723,990</u>	<u>1,520,158</u>
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649			
FY21 P-EBT Local Level Administrative Cost Grant			FY23	6,198	-
				<u>6,198</u>	<u>-</u>
Total - Department of Agriculture					
				<u>1,730,188</u>	<u>1,520,158</u>
<u>Federal Communications Commission</u>					
Emergency Connectivity Fund Program	Direct Grant	32.009			
Emergency Connectivity Fund			FY23	501,849	-
				<u>501,849</u>	<u>-</u>
Total - Federal Communications Commission					
				<u>501,849</u>	<u>-</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027A			
2023 Special Education Paraprofessional Training Grant			H027A220084	-	11,278
FY21 IDEA Sp Ed 611 Grant			21611-026-PN01	805,609	-
FY22 IDEA Sp Ed 611 Grant			22611-026-PN01	-	796,860
FY23 IDEA Sp Ed 611 Grant			23611-026-PN01	-	640,353
				<u>805,609</u>	<u>1,448,491</u>
Subtotal - Special Education Grants to States					
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X			
ARP-Special Education			22611-026-ARP	-	144,645
				<u>-</u>	<u>144,645</u>
Total - Special Education Grants to States					
				<u>805,609</u>	<u>1,593,136</u>

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 06-30-24
Special Education Preschool Grants	Indiana Department of Education	84.173A			
FY21 IDEA Sp Ed Preschool 619 Grant			21619-026-PN01	1,559	-
FY22 IDEA Sp Ed Preschool 619 Grant			22619-026-PN01	-	19,495
FY23 IDEA Sp Ed Preschool 619 Grant			23619-026-PN01	-	20,593
Total - Special Education Preschool Grants				<u>1,559</u>	<u>40,088</u>
Total - Special Education Cluster (IDEA)				<u>807,168</u>	<u>1,633,224</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
FY22 Title I			S010A210014	267,267	-
FY23 Title I Part A			S010A220014	288,767	195,201
Total - Title I Grants to Local Educational Agencies				<u>556,034</u>	<u>195,201</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
FY19 Title II			S367A190013	48,981	-
FY20 Title II			S367A200013	50,170	-
FY21 Title II			S367A210013	1,691	70,972
FY22 Title II			S367A220013	16,939	27,547
FY23 Title II			S367A230013	-	1,948
Total - Supporting Effective Instruction State Grants				<u>117,781</u>	<u>100,467</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
iCAP Grant			S424D200003	-	66,960
FY19 Title IV Student Support			S424A190015	463	-
FY21 Title IV			S424A210015	46,291	-
FY22 Title IV Student Support			S424A220015	18,844	40,406
FY23 Title IV Student Support			S424A230015	-	9,161
Bipartisan Safer Community Act			S424F220015	-	14,789
Total - Student Support and Academic Enrichment Program				<u>65,598</u>	<u>131,316</u>
COVID-19 - Education Stabilization Fund	Indiana Department of Education				
CARES		84.425D	S425D200013	13,014	-
FY21 ESSER II		84.425D	S425D210013	400,820	29,164
ESSER III		84.425U	S425U210013	765,709	1,051,410
ARP-HCY		84.425W	S425W210015	-	11,445
Total - COVID-19 - Education Stabilization Fund				<u>1,179,543</u>	<u>1,092,019</u>
Total - Department of Education				<u>2,726,124</u>	<u>3,152,227</u>

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 06-30-24
<u>Department of Health and Human Services</u>					
CCDF Cluster					
Child Care and Development Block Grant	Indiana Department of Education	93.575			
Build Learn Grow Stabilization Grant			2101INCSC6	89,382	43,633
Build Learn Grow Stabilization Grant			2101INCSC6	86,994	14,806
Build Learn Grow Stabilization Grant			2101INCSC6	<u>79,131</u>	<u>20,722</u>
Total - Child Care and Development Block Grant				<u>255,507</u>	<u>79,161</u>
Total - CCDF Cluster				<u>255,507</u>	<u>79,161</u>
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Education	93.778			
Medicaid Reimbursement - Federal			FY23	112,509	-
Medicaid Reimbursement - Federal			FY24	<u>-</u>	<u>93,203</u>
Total - Medical Assistance Program				<u>112,509</u>	<u>93,203</u>
Total - Medicaid Cluster				<u>112,509</u>	<u>93,203</u>
Total - Department of Health and Human Services				<u>368,016</u>	<u>172,364</u>
Total federal awards expended				<u>\$ 5,326,177</u>	<u>\$ 4,844,749</u>

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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the School Corporation under programs of the federal government for the years ended June 30, 2023 and 2024. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

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

Note 3. Special Education Cooperative

The School Corporation is a member of the Harrison County Exceptional Learners Cooperative and serves as the fiscal agent. As a result, some of the activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations, as appropriate.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Special Education Cluster (IDEA)	Qualified
84.425	Title I Grants to Local Educational Agencies	Qualified
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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-001

Subject: Title I Grants to Local Educational Agencies - Eligibility
 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
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Eligibility
 Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance related to the enrollment and poverty data as reported by the School Corporation in its Title I applications.

Enrollment and poverty numbers for nonpublic schools were entered manually into the Title I applications by the School Corporation. The School Corporation established a process to receive and review the listing of students from the nonpublic schools for enrollment and poverty counts to be entered in the application. The application is reviewed by the Title I Director and Director of Business Operations/Treasurer. However, the internal controls were ineffective as the School Corporation was unable to provide detailed support from the nonpublic school for the information reported in the grant applications. Therefore, we were unable to determine if the enrolled student count in the applications were accurate.

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). . . ."

34 CFR 200.78(a)(1) states:

"After reserving funds, as applicable, under § 200.77, including funds for equitable services for private school students, their teachers, and their families, an LEA must allocate funds under this subpart to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of public school children from low-income families in each area or school."

Cause

The School Corporation did not maintain appropriate documentation from the nonpublic school corporation related to the applications for grant years 2022 or 2023. The School Corporation compiled a spreadsheet containing the nonpublic school information for both applications. The School Corporation stated that when preparing the spreadsheet for the 2023 application, the data for the prior year 2022 application was overridden without saving a copy. The School Corporation was unable to reproduce this information for review. The School Corporation also stated that due to staff changeover at one of the nonpublic schools, the School Corporation had difficulty obtaining accurate data and received information both verbally and via email multiple times from the nonpublic school. The data in the application did not agree to the information contained in the School Corporation's spreadsheet, and the School Corporation was unable to provide additional documentation supporting the data in the application.

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

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation did not properly maintain supporting documentation for the nonpublic schools' enrollment and poverty data reported in its Title I applications. Accordingly, the Indiana State Board of Accounts was unable to verify that this information was accurate to determine if the School Corporation complied with the Eligibility compliance requirement. 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 the School Corporation's management establish a proper system of internal controls and strengthen its procedures to ensure all supporting documentation is maintained for future grant years.

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: 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: 84.425U
Federal Award Number and Year (or Other Identifying Number): S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

As part of sound management of the federal award, the School Corporation was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. The School Corporation had not properly designed or implemented such a system.

The School Corporation was required to maintain a capital asset listing which would include a description of the property, a serial number of 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 use and condition of the property for assets purchased that exceeded the School Corporation's capitalization threshold.

During the audit period, the School Corporation purchased one asset, a trailer, with COVID-19 - Education Stabilization Fund grant funds that exceeded the School Corporation's capitalization threshold. The School Corporation was not in compliance with the requirements of the federal award as adequate property records were not maintained for the asset purchased. Additionally, with no detailed listing of its capital assets, the School Corporation was unable to perform a physical inventory as required.

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

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)(1) states:

"Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for 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 data including the date of disposal and sales price of the property."

Cause

Management of the School Corporation acknowledged awareness of the requirement to maintain a complete detailed listing of capital assets, including those purchased with federal funds. However, due to time constraints, management had not been able to compile a list of assets purchased prior to the audit period and had only accumulated invoices for items purchased during the audit period that need to be added to the School Corporation's capital asset records.

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation did not maintain capital asset records and, therefore, did not conduct a physical inventory, both of which resulted in material noncompliance with the requirements of the federal award. The lack of capital asset records and periodic physical inventories renders the School Corporation incapable of ensuring that capital assets purchased with federal funds are properly safeguarded and maintained.

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 funding 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 compile the required capital asset listing as well as conduct periodic physical inventories.

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

Views of Responsible Officials

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

FINDING 2024-003

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

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

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. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors prior to submission.

All five reports were selected for testing. Three of the reports were not supported by the School Corporation's records. The following errors were identified:

- The ESSER II, Year 2 and Year 3 reports, which covered the periods of July 1, 2021 to June 30, 2022, and July 1, 2022 to June 30, 2023, respectively, Key Line Items were not able to be traced to supporting documentation. For both reports, Personnel Services - Salaries could not be traced to the School Corporation's records. For the ESSER II, Year 3 report, Supplies could not be traced to the School Corporation's records.
- The ESSER III, Year 3 report, which covered the period of July 1, 2022 to June 30, 2023, Key Line Items were not able to be traced to supporting documentation. The School Corporation reported amounts related to Personnel Services - Salaries and Supplies that were not supported by the School Corporation's records.

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

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

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

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

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

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

Cause

Due to problems encountered during the uploading process in JotForm, the School Corporation was unaware that information submitted was incorrect after multiple attempts at uploading at the Indiana Department of Education's request. Additionally, the School Corporation's management had not developed a system of internal controls to ensure that reports required for COVID-19 - Education Stabilization Funds were accurate, supported by the School Corporation's records, and reviewed prior to submission.

Effect

Due to a lack of review and segregation of duties, the School Corporation submitted ESSER II and ESSER III reports that were not supported by the School Corporation's records. As a result, material noncompliance occurred and remained undetected.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls and strengthen its policies and procedures to ensure all reports submitted are accurate.

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

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: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

Assistance Listings Number: 84.027A

Federal Award Numbers and Years (or Other Identifying Numbers): 22611-026-PN01, 23611-026-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation is a member of the Harrison County Exceptional Learners Cooperative (Cooperative). During fiscal year 2023-2024, the Cooperative operated the special education program and spent the federal money on behalf of all its members. As the grant agreement was between the Indiana Department of Education and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative.

As part of sound management of the federal award, the School Corporation was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. The School Corporation had not properly designed or implemented such a system to ensure that the Cooperative complied with the Allowable Costs/Cost Principles compliance requirement. Although one employee prepared the claims, and the School Corporation Director of Business Operations/Treasurer approved the claims, the internal controls were not effective to ensure that expenditures were allowed and in conformance with the cost principles.

During the audit period, the Cooperative used \$1,662 of the School Corporation's allocated funding to purchase snacks for special education students. Such costs are not directly related to providing special education or related services to children with disabilities, and, accordingly, the Indiana State Board of Accounts considers this amount to be questioned costs.

The lack of internal controls and noncompliance were isolated to the award numbers identified above.

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). . . ."

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

2 CFR 200.403 states in part:

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

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

34 CFR 300.202 states in part:

- "(a) Amounts provided to the LEA under Part B of the Act. . . .
 - (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; . . ."

Cause

The School Corporation's Director of Business Operations/Treasurer, who was also the fiscal agent for the Cooperative, stated that special education funds had historically been used in this manner and had not been questioned previously and that the School Corporation and Cooperative were unaware that this was not an allowable use of funds.

Effect

Without a proper system of internal controls in place that operated effectively, noncompliance remained undetected resulting in grant expenditures continuing to be spent for unallowable costs. 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

Questioned costs in the amount of \$1,662 were identified as noted in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls to ensure that expenditures made by the Cooperative from federal awards are allowable per the terms and conditions of the federal award, as well as the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

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

FINDING 2024-005

Subject: Special Education Cluster (IDEA) - Earmarking
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: 84.027A, 84.027X, 84.173A
Federal Award Numbers and Years (or Other Identifying Numbers): 21611-026-PN01, 21619-026-PN01,
22611-026-PN01, 22611-026-ARP,
22619-026-PN01, 23619-026-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Harrison County Exceptional Learners Cooperative (Cooperative). During both fiscal years under audit, the Cooperative operated the special education programs and spent federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for nonpublic school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure nonpublic school expenditures were appropriately identified and reported.

The Non-Public Proportionate Share expenditures for the 21611-026-PN01, 21619-026-PN01, 22611-026-PN01, 22611-026-ARP, 22619-026-PN01, and 23619-026-PN01 grant awards could not be verified for the individual member schools. Total grant expenditures were posted as expended. The nonpublic proportionate share expenditures were determined by applying a percentage to the nonpublic school budgeted expenditures. These were the amounts reported to the IDOE. As such, the Indiana State Board of Accounts was unable to identify if the minimum amount per the grant award was expended and properly reported to the IDOE as required.

The 22611-026-PN01, 22611-026-ARP, 22619-026-PN01, and 23619-026-PN01 grant awards ended during the audit period. The School Corporation did not have internal controls in place to ensure that the Cooperative fully spent the required nonpublic proportionate share amounts by the end of the grant award. The following schedule shows the total nonpublic proportionate share approved by the IDOE for all member corporations for each grant award compared with the total expenditures posted to the ledger for nonpublic proportionate share. The remaining difference of \$13,595.71 is nonpublic proportionate share money not spent by the Cooperative on behalf of member schools by the end of the grant award for all awards ending during the audit period.

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

Grant Award/ Project No.	IDOE Approved Non- Public Proportionate Share	Total Non-Public Proportionate Share Spent by Cooperative	Difference
22611-026-PN01	\$ 47,289.04	\$ 40,688.11	\$ 6,600.93
22611-026-ARP	10,585.73	5,233.83	5,351.90
22619-026-PN01	1,952.05	1,263.05	689.00
23619-026-PN01	3,949.95	2,996.07	953.88
Total	\$ 63,776.77	\$ 50,181.06	\$ 13,595.71

The lack of internal controls and noncompliance were isolated to the 21611-026-PN01, 21619-026-PN01, 22611-026-PN01, 22611-026-ARP, 22619-026-PN01, and 23619-026-PN01 grant awards.

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 200.403 states in part:

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

(g) Be adequately documented. . . ."

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

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

Cause

The School Corporation's Director of Business Operations/Treasurer, who was also the fiscal agent for the Cooperative, stated that the amounts attributed to member corporations for nonpublic proportionate share had been calculated for many years using the methodology noted above. She was unaware that such an allocation was not allowed until the issue was identified for the grants ending in fiscal year 2022-2023 and was not able to correct the issue for the grants ending in 2023-2024. The School Corporation had the option to apply for a waiver to allow the unspent portion of nonpublic proportionate share funds to be used for other grants purposes, but she indicated that the School Corporation was told that it would not matter and that the School Corporation would still have been in noncompliance.

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation was unable to ensure that the Cooperative properly tracked nonpublic proportionate share expenditures in a manner that would allow us to verify that the Earmarking requirements of the federal award had been met. Due to the lack of proper oversight from the School Corporation, the Cooperative also did not fully spend the required nonpublic proportionate share amounts on behalf of the School Corporation. 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 nonpublic proportionate share funds are properly accounted for by the Cooperative based on expenditures charged directly on behalf of the member school. Supporting documentation for these expenditures should be retained for audit. We also recommend tracking total nonpublic proportionate share by approved grant amounts from the IDOE to ensure proportionate share is being spent by the end of the grant award.

Views of Responsible Officials

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

FINDING 2024-006

Subject: Special Education Cluster (IDEA) - 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: 84.027A, 84.027X, 84.173A

Federal Award Numbers and Years (or Other Identifying Numbers): 22611-026-PN01, 22611-026-ARP,
22619-026-PN01, 23611-026-PN01,
23619-026-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

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

Condition and Context

The School Corporation is a member of the Harrison County Exceptional Learners Cooperative (Cooperative). During both fiscal years under audit, the Cooperative operated the special education programs and spent federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Period of Performance compliance requirement.

The School Corporation served as the LEA and fiscal agent for the Cooperative which provided special education services to the Cooperative's member schools. The Cooperative did not maintain a separate accounting system, and, accordingly, the School Corporation was responsible for handling all financial activity related to special education. The School Corporation created separate funds to account for the various special education grants. Rather than posting special education expenses directly to these funds, the School Corporation posted the original transactions to other funds. The School Corporation then initiated adjustments totaling over \$1.8 million to record the expenses in the special education grant funds during fiscal year 2023-2024. There was no evidence of an oversight, review, or approval process to ensure that the original expenses were incurred within the grant's period of performance.

The lack of internal controls was isolated to the 22611-026-PN01, 22611-026-ARP, 22619-026-PN01, 23611-026-PN01, and 23619-026-PN01 grant awards during 2023-2024.

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

In its capacity as the fiscal agent for the Cooperative, the School Corporation posted multiple adjustments to special education grant funds without a proper oversight, review, or approval process to ensure that the original expenses were incurred during the period of performance.

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation was unable to ensure that the original transactions for expenses posted to special education grant funds via adjustments were incurred during the period of performance. The lack of internal controls rendered the School Corporation incapable of ensuring compliance with the requirements of the federal award. 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.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls to ensure that adjustments are properly reviewed to ensure that the original transactions were for expenses incurred during the period of performance.

Views of Responsible Officials

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



AUDITEE-PREPARED DOCUMENTS

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



South Harrison: Safe ♦ Supportive ♦ Successful

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FINDING 2022-001

Fiscal year in which the finding initially occurred: July 1, 2018 to June 30, 2019

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

Finding Subject: Financial Transaction and Reporting

Summary of Finding: The Board of School Trustees must approve all transfers between funds.

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

Dr. Mark A. Eastridge, Superintendent
315 South Harrison Drive, Corydon, IN 47112 • Phone (812) 738-2168 • Fax (812) 738-2158
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CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Title I Grants to Local Educational Agencies - Eligibility

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The following internal control procedures will be developed and implemented to assure that enrollment and poverty numbers of non-public schools is correctly entered into the grant application:

- The Director for Elementary Curriculum, Instruction and Assessment/Title I Coordinator will utilize the “Guidelines for Title Services to Non-Public Schools” checklist (provided by the Indiana Department of Education during a recent Title I Directors meeting) to assure that all required non-public school related documentation is obtained and documented.
- Someone other than the person preparing the Title I grant application will review the application prior to submission to assure that data is entered into the application correctly.
- Documentation concerning the collaboration with and information obtained relating to the non-public school eligibility will be retained with the grant files to assure availability during audits.

Anticipated Completion Date: April 1, 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-002

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

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: South Harrison Community School Corporation personnel in conjunction with the services of a qualified outside agency will compile an initial capital asset listing and will begin to conduct periodic inventory reviews as required.

Anticipated Completion Date: August 15, 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-003

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

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The following internal controls will be implemented related to the required reporting of information:

- Supporting details of reported information will be retained within the grant files for audit purposes.
- Documentation of the collaboration between personnel submitting the report will be retained for audit purposes.
- Documentation from the Indiana Department of Education to assure that the submitted data was correctly uploaded will be requested and retained for audit purposes.

Anticipated Completion Date: June 30, 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-004

Finding Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Personnel involved in the purchasing process will review materials prepared by the Indiana Department of Education related to allowable costs. The specific questioned cost was for the provision of classroom snacks for the developmental preschool students. These have been provided as they are food costs above or and beyond routine school food costs. However, based upon guidance provided by the State Board of Accounts, reimbursement for snacks provided to the developmental preschool students will be sought.

Anticipated Completion Date: April 1, 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-005

Finding Subject: Special Education Cluster (IDEA) – Earmarking

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The failure to expend all of the funding set aside for nonpublic schools was caused by several factors, including significant changes within the leadership of the nonpublic schools being served and parents' refusal of services in lieu of vouchers being received to provide private services.

The following corrective actions will be implemented with the intentions to fully expend the set-aside funding, account for the expenditures by location, and to document those efforts:

- Attain documentation from the nonpublic schools being served to document the discussions about planned and allowable spending.
- When it is projected that the nonpublic proportionate share will not be fully expended, documentation will be requested from the nonpublic school detailing the cause so that the waiver can be submitted.
- Attend updates offered from the Indiana Department of Education for Special Education. Retain appropriate documentation from these meetings to support decisions made regarding the grants.
- Account for all expenditures by nonpublic school location and prepare proportionate share reports utilizing the location-specific information.

Anticipated Completion Date: April 1, 2025

Dr. Mark A. Eastridge, Superintendent
315 South Harrison Drive, Corydon, IN 47112 • Phone (812) 738-2168 • Fax (812) 738-2158
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South Harrison: Safe ♦ Supportive ♦ Successful

CORRECTIVE ACTION PLAN

FINDING 2024-006

Finding Subject: Special Education Cluster (IDEA) – Period of Performance

Contact Person Responsible for Corrective Action: Carolyn Wallace

Contact Phone Number and Email Address: 812-738-2168, extension 102 and WallaceC@shcsc.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Documentation of review for adjustments/corrections, including the period of performance, will be maintained for auditor review.

Anticipated Completion Date: June 15, 2025

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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/>.