

**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

FRANKLIN COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

02/17/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Gross	07-01-22 to 06-30-25
Superintendent of Schools	Dr. David Clendening	07-01-22 to 06-30-25
President of the School Board	Kristi Ott Becky Nelson Jake Sappenfield Becky Nelson	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 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 FRANKLIN COMMUNITY SCHOOL
CORPORATION, JOHNSON 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 Franklin 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 January 30, 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 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

January 30, 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 FRANKLIN COMMUNITY SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Franklin 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.

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2022 to June 30, 2024.

Basis for Opinion on Each Major Federal Program

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.

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.

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 and significant deficiencies.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002, to be significant deficiencies.

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 January 30, 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

January 30, 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.



FRANKLIN 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	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
2022-2023 SCHOOL BREAKFAST			FY 2023	\$ -	\$ 461,132	\$ -	\$ -
2023-2024 SCHOOL BREAKFAST			FY 2024	-	-	-	387,986
Total - School Breakfast Program				-	461,132	-	387,986
National School Lunch Program							
2022-2023 AFTER SCHOOL SNACK	Indiana Department of Education	10.555	FY 2023	-	21,698	-	-
2022-2023 SCHOOL LUNCH			FY 2023	-	1,844,432	-	-
2023-2024 AFTER SCHOOL SNACK			FY 2024	-	-	-	16,551
2023-2024 SCHOOL LUNCH			FY 2024	-	-	-	1,494,753
Commodities			FY 2023	-	174,384	-	-
Commodities			FY 2024	-	-	-	78,493
Total - National School Lunch Program				-	2,040,514	-	1,589,797
Summer Food Service Program for Children							
2022-2023 SUMMER FOOD SERVICE PROGRAM	Indiana Department of Education	10.559	FY 2023	-	50,734	-	-
2023-2024 SUMMER FOOD SERVICE PROGRAM			FY 2024	-	-	-	67,722
Total - Summer Food Service Program for Children				-	50,734	-	67,722
Total - Child Nutrition Cluster				-	2,552,380	-	2,045,505
Farm to School Grant Program							
FY21 FARM TO SCHOOL (7962)	Direct Grant	10.575					
FY21 FARM TO SCHOOL (7962)			CN-F2S-IMPL-21-IN	-	23,399	-	-
			CN-F2S-IMPL-21-IN	-	-	-	19,758
Total - Farm to School Grant Program				-	23,399	-	19,758
Total - Department of Agriculture				-	2,575,779	-	2,065,263
Federal Communications Commission							
COVID-19 - Emergency Connectivity Fund Program							
7921 EMERGENCY CONNECTIVITY (ARP)	Direct Grant	32.009	FY 2023	-	64,676	-	-
7921 EMERGENCY CONNECTIVITY (ARP)			FY 2024	-	-	-	518,400
Total - COVID-19 - Emergency Connectivity Fund Program				-	64,676	-	518,400
Total - Federal Communications Commission				-	64,676	-	518,400
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
PARAPROFESSIONAL TRAINNG GRANT (5201)	Indiana Department of Education	84.027	78748	-	-	-	12,905
FY2022 Federal Part B 611 (5230)			22611-031-PN01	-	160,028	-	-
FY2023 FEDERAL PART B 611 (5240)			23611-031-PN01	-	813,800	-	390,729
FY2024 Federal Part B 611 (5200)			24611-031-PN01	-	-	-	1,260,670
Subtotal - Special Education Grants to States				-	973,828	-	1,664,304

FRANKLIN 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	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 Grants to States FY2022 IDEA ARP 611 (7911)	Indiana Department of Education	84.027	22611-031-ARP	-	179,935	-	20,228
Total - Special Education Grants to States				-	1,153,763	-	1,684,532
Special Education Preschool Grants FY2022 FEDERAL PART B 619 (5400) FY 2023 FEDERAL PART B 619 (5410) FY2024 FEDERAL PART B 619 (5430)	Indiana Department of Education	84.173	22619-031-PN01 23619-031-PN01 24619-031-PN01	- - -	4,970 17,929 -	- - -	- 10,660 29,552
Subtotal - Special Education Preschool Grants				-	22,899	-	40,212
COVID-19 - Special Education Preschool Grants FY2022 IDOE ARP 619 (7912))	Indiana Department of Education	84.173	22619-031-ARP	-	12,964	-	7,198
Total - Special Education Preschool Grants				-	35,863	-	47,410
Total - Special Education Cluster (IDEA)				-	1,189,626	-	1,731,942
Title I Grants to Local Educational Agencies 2021-2022 Title I Delinquent (4130) 2021-2022 Title I Basic (4129) 2022-2023 TITLE I BASIC (4131) 2022-2023 TITLE I DELINQUENT (4132) 2022-2024 Title I Delinquent (4134) 2023-2024 Title I Basic (4133)	Indiana Department of Education	84.010	S010A210014 S010A210014 S010A220014 S010A220014 S010A230014 S010A230014	- - - - - -	102,798 243,555 333,024 25,284 - -	- - - - - -	- - 279,200 100,796 18,664 469,514
Total - Title I Grants to Local Educational Agencies				-	704,661	-	868,174
Education for Homeless Children and Youth 2022-2023 MCKINNEY-VENTO (5110) 2023-2024 MCKINNEY-VENTO (5111)	Indiana Department of Education	84.196	S196A220015 S196A230015	- -	19,120 -	- -	49,644 17,641
Total - Education for Homeless Children and Youth				-	19,120	-	67,285
English Language Acquisition State Grants 2022-2024 TITLE III PART A (6880) 2023-2024 TITLE III PART A (6881)	Indiana Department of Education	84.365	S365A220014 S365A230014	- -	2,465 -	- -	7,726 3,927
Total - English Language Acquisition State Grants				-	2,465	-	11,653
Supporting Effective Instruction State Grants FFY 2020 TITLE II PART A (6845) FFY 2021 TITLE II PART A (6846) FFY 2022 Title II Part A (6847) FFY 2023 TITLE II PART A (6848)	Indiana Department of Education	84.367	S367A200013 S367A210013 S367A220013 S367A230013	- - - -	11,913 82,956 37,732 -	- - - -	- 6,701 83,798 35,953
Total - Supporting Effective Instruction State Grants				-	132,601	-	126,452

FRANKLIN 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	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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
2020-2021 TITLE IV (5803)			S424A200015	-	6,179	-	-
FY21 TITLE IV (5821)			S424A210015	-	38,086	-	5,892
2022-2023 TITLE IV PART A (5822)			S424A220015	-	7,063	-	38,565
2023-2025 TITLE IV (5823)			S424A230015	-	-	-	14,806
Total - Student Support and Academic Enrichment Program				-	51,328	-	59,263
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
2021-2023 ARP-HCY I (7910)		84.425W	S425W210015	-	66,912	-	2,498
FY2020 ESSER III (7923)		84.425U	S424U200013	-	1,400,107	-	1,198,267
FY2020 CARES ACT (7941)		84.425D	S425D200013	-	7,705	-	-
FY2020 ESSER II (7931)		84.425D	S425D210013	-	159,365	-	105,907
COMPREHENSIVE SCHOOL COUNSELING GRANT (7890)		84.425U	S425U210013	-	-	-	4,046
2022-2024 ARP-HCY II (7910)		84.425W	S425W210015	-	5,940	-	23,065
Total - COVID-19 - Education Stabilization Fund				-	1,640,029	-	1,333,783
Total - Department of Education				-	3,739,830	-	4,198,552
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program		93.778					
Medicaid Assistance Program/Medicaid IEP	Indiana Family and Social Services Administration		SY 2023	-	316,283	-	-
Medicaid Assistance Program/IMAC	Indiana Department of Education		SY 2023	-	52,828	-	-
Medicaid Assistance Program/Medicaid IEP	Indiana Family and Social Services Administration		SY 2024	-	-	-	338,971
Medicaid Assistance Program/IMAC	Indiana Department of Education		SY 2024	-	-	-	73,995
Total - Medical Assistance Program				-	369,111	-	412,966
Total - Medicaid Cluster				-	369,111	-	412,966
Total - Department of Health and Human Services				-	369,111	-	412,966
Total federal awards expended				\$ -	\$ 6,749,396	\$ -	\$ 7,195,181

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

FRANKLIN 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 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. Earlywood Educational Services

The School Corporation was a member of the Earlywood Educational Services (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. The Cooperative dissolved June 30, 2024. As of this date, the School Corporation became the fiscal agent for the individual school corporations participating in the Cooperative.

FRANKLIN 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?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

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
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.425	COVID-19 - Educational Stabilization Fund	Unmodified
	Medicaid Cluster	Unmodified

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

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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-001

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425
Federal Award Numbers and Years (or Other Identifying Numbers): S424U200013, S425D200013,
S425U210013, S425W210015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
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, nor implemented, at the School Corporation 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 controls to ensure the annual Elementary and Secondary School Emergency Relief (ESSER) annual Data Collection reports (Reports) were complete and accurately submitted. The School Corporation Reports were reviewed by the Assistant Deputy Treasurer and submitted by the Chief Financial Officer; however, there was no documentation provided to verify that the oversight or review process to prevent, or detect and correct, errors was performed during 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

There was no documentation that a system of internal controls had been designed and implemented by management of the School Corporation to ensure compliance with the federal award and the Reporting compliance requirement.

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

Effect

Without an effective system of internal controls noncompliance with the federal award and the Reporting compliance requirement could have occurred. Users of the Report rely upon its accuracy to make appropriate decisions.

Noncompliance with the conditions of the federal award could result in the loss of 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 system of internal controls related to the federal award and the Reporting compliance requirement which includes documentation of the operation of the internal controls.

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 - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

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): S424U200013

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Significant Deficiency

Condition and Context

An effective internal control system was not designed at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had designed a system of internal controls to ensure payroll expenditures charged to the grant fund were allowable. However, 2 of the 44 expenditures tested did not have documentation that the internal control had been applied and operated effectively.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

Cause

An effective system of internal controls had not been designed by management of the School Corporation to ensure compliance with the federal award and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. An internal control had been designed but was not applied consistently to all payroll transactions.

Effect

Without an effective system of internal controls, noncompliance with the federal award and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements could have occurred.

Noncompliance with the conditions of the federal award could result in the loss of 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 system of internal controls related to the federal award and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements and apply the controls consistently to all transactions.

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.



Dr. David Clendening
Superintendent

Dr. Brooke Worland
Assistant Superintendent

Ms. Tina Jobe-Gross
Chief Financial Officer

Mr. Matt Sprout
Executive Director of Technology

Mr. Benji Betts
Executive Director of Operations

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2020-22

Current Audit Period: 2022-24

Finding Subject: COVID-19 - Education Stabilization Fund - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Summary of Finding:

Material Weakness, Modified Opinion

The School Corporation was a participating member in the Central Nine Career Center (Center). As a member, the School Corporation was responsible for providing financial contributions to support the Center's operations. In 2019, the Center's Executive Director commissioned a facilities study for purposes of addressing the increase in enrollment at the Center. Based on the results of the study, the Center's Governing Board approved an expansion project in May of 2021, with the construction costs to be split between the member schools based upon each member school's student enrollment at the Center. As a result of that calculation, the School Corporation's contribution to the Center for the construction costs was \$472,963. The School Corporation elected to use the American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) funds awarded under the COVID-19 - Education Stabilization Fund to pay this obligation to the Center in December 2021.

Although the School Corporation incurred the financial obligation within the grant's period of performance, the origins of the project predated the COVID-19 pandemic. The project's stated purpose did not provide any evidence that it was to prevent, prepare for, or respond to COVID-19. Additionally, the payment was made without proper supporting documentation. The claim for payment was prepared based upon an invoice submitted to the School Corporation from the Center that listed the amount due on a single line item without a breakdown or itemized detail to support the expense from the federal award. We consider the total payment of \$472,963 to be questioned costs.

The lack of internal controls and noncompliance was isolated to this single payment.

Status of Audit Finding:

Fully corrected, but the corrective action implemented differs significantly from the original planned corrective action.

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Response Comments:

The district responded with a willingness to transfer this expense to rainy day or operating funds if necessary. No direction or guidance was received regarding this finding.

FINDING 2022-002

Fiscal year in which the finding initially occurred: FY 2020-2022

Current Audit Period: FY 2022-24

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

Summary of Finding:

Material Weakness, Other Matters Condition and Context

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 - 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 did not have adequate policies or procedures to ensure that contractors were paid prevailing wage rates for contracts in excess of \$2,000 that were paid from federal grant funds. Two contracts during the audit period were subject to wage rate requirements. While the contracts for each contained the required prevailing wage rate clause, the School Corporation did not receive the certified payrolls from either contractor.

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

Status of Audit Finding:

Fully Corrected with the following corrective action:

For future federally funded projects, the Chief Financial Officer (CFO) required that any payroll documents associated with that pay application be submitted as supporting documentation. The CFO confirmed compliance with the Davis-Bacon Act by comparing the payroll records to the wage rates required for the project. Once compliance had been confirmed, the CFO submitted the paperwork required for the board to approve the payment earned by the contractor.

Response Comments: N/A

FINDING 2022-003

Fiscal year in which the finding initially occurred: 2020-22

Current Audit Period: 2022-24

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

Summary of Finding:

Material Weakness Condition and Context

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 Reporting compliance requirement.

The School Corporation had not designed, nor implemented a system of internal controls to ensure that the annual Elementary and Secondary School Emergency Relief (ESSER) and the Governor's Emergency Education Relief (GEER) annual Data Collection reports (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.

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

Status of Audit Finding:

Partially Corrected. We were performing a second review prior to submission after the prior audit, but the individual did not note their review.

Response Comments: N/A



Dr. David Clendening
Superintendent

Dr. Brooke Worland
Assistant Superintendent

Ms. Tina Jobe-Gross
Chief Financial Officer

Mr. Matt Sprout
Executive Director of Technology

Mr. William "Benji" Betts
Executive Director of Operations

CORRECTIVE ACTION PLAN

FINDING 2024-001

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

Summary of Finding: The School Corporation had not designed, nor implemented a system of internal controls, to ensure the annual Elementary and Secondary School Emergency Relief (ESSER) annual Data Collection reports (Reports) were complete and accurately submitted. The School Corporation Reports were reviewed by the Assistant Deputy Treasurer and submitted by the Chief Financial Officer; however, there was no documentation provided to verify that the oversight or review process to prevent, or detect and correct, errors were performed during the audit period.

The State Board of Accounts recommends that the School Corporation's management establish a system of internal controls related to the federal award and the Reporting compliance requirement which includes documentation of the operation of the controls.

Contact Person Responsible for Corrective Action: Camilla Hoffman, Assistant Deputy Treasurer

Contact Phone Number and Email Address: hoffmanca@franklinschools.org, 317-346-8748

Views of Responsible Officials: We concur with the finding, but we would like to emphasize that the review had been implemented. It just was not documented by the reviewer.

Description of Corrective Action Plan:

The Assistant Deputy Treasurer will begin documenting her review of the required ESSER reporting via email, so that this review can be verified by auditors or other inquirers.

Anticipated Completion Date:

This corrective action will be added to the district's procedures immediately, but ESSER reporting is not anticipated until later in the Spring 2025.

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FINDING 2024-002

Finding Subject: COVID-19 - Education Stabilization Fund – Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Summary of Finding: An effective internal control system was not designed at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had designed a system of internal controls to ensure payroll expenditures charged to the grant fund were allowable. However, 2 of the 44 expenditures tested did not show have documentation that the control had been applied and operated effectively.

The State Board of Accounts recommends that the School Corporation’s management establish a system of internal controls related to the federal award and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements and apply the controls consistently to all transactions.

Contact Person Responsible for Corrective Action: Kerri Powers-Hoffman, Payroll Specialist

Contact Phone Number and Email Address: hoffmank@franklinschools.org, 317-346-8738

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The Payroll Specialist will ensure the files posted to the shared drive for the monthly board meetings contain all payroll claims necessary for approval each month. The Payroll Specialist also will review the prior months file to ensure no payroll claims were skipped, which is what resulted in this finding.

Anticipated Completion Date:

This corrective action has already been implemented.

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 planned, 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.”

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/>.