

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

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

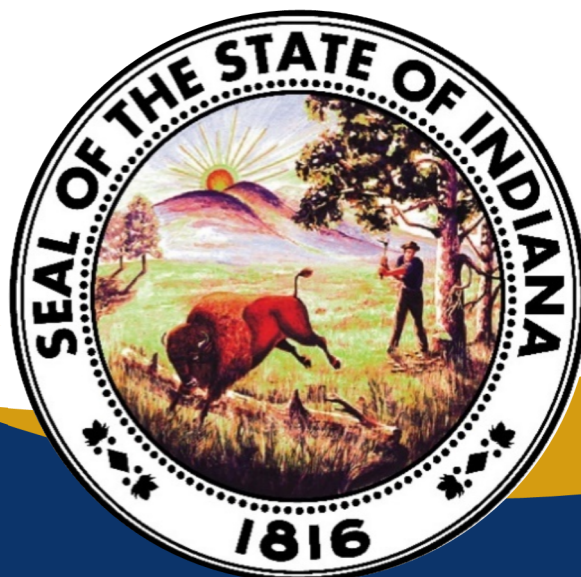
FEDERAL COMPLIANCE AUDIT REPORT

OF

SPENCER-OWEN COMMUNITY SCHOOLS

OWEN COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/17/2025



## 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 .....	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-15
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	18-19
Corrective Action Plan .....	20-21
Other Reports.....	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Annette Brown	07-01-22 to 06-30-25
Superintendent of Schools	Andy Cline	07-01-22 to 06-30-25
President of the School Board	Chad Cooper Derek Morgan	07-01-22 to 01-11-23 01-12-23 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

## 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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN 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 Spencer-Owen Community Schools (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 6, 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 6, 2025



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

## **Report on Compliance for Each Major Federal Program**

### ***Opinion on Each Major Federal Program***

We have audited the Spencer-Owen Community Schools' (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.

**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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, to be significant deficiencies.

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.

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 6, 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 6, 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.

SPENCER-OWEN 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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY2022-2023	\$ -	\$ 322,228	\$ -	\$ -
School Breakfast Program			FY2023-2024	-	-	-	260,781
Total - School Breakfast Program				-	322,228	-	260,781
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY2022-2023	-	867,383	-	-
Commodity Supplemental Food Program			FY2022-2023	-	94,050	-	-
National School Lunch Program			FY2023-2024	-	-	-	769,547
Commodity Supplemental Food Program			FY2023-2024	-	-	-	101,408
Total - National School Lunch Program				-	961,433	-	870,955
Total - Child Nutrition Cluster				-	1,283,661	-	1,131,736
Total - Department of Agriculture				-	1,283,661	-	1,131,736
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Part B Section 611 for Special Education	Indiana Department of Education	84.027					
Part B Section 611 for Special Education			21611-061-PN01	-	8,172	-	-
Part B Section 611 for Special Education			22611-061-PN01	-	487,875	-	102,590
Part B Section 611 for Special Education			22611-061-PN01	-	-	-	637,644
Subtotal - Special Education Grants to States				-	496,047	-	740,234
COVID-19 - Special Education Grants to States							
ARP IDEA 611		84.027					
			22611-061-ARP	-	38,111	-	20,811
Total - Special Education Grants to States				-	534,158	-	761,045
Special Education Preschool Grants							
Special Education Pre-School Grant 21619-061-PN01 FY21 Part B 619 Fund 5462	Indiana Department of Education	84.173					
Special Education Preschool Grant Part B			21619-061-PN01	-	350	-	-
Special Education Preschool Grant Part B			22619-061-PN01	-	-	-	11,654
Special Education Preschool Grant Part B			22619-061-PN01	-	-	-	24,362
Subtotal - Special Education Preschool Grants				-	350	-	36,016
COVID-19 - Special Education Preschool Grants							
ARP IDEA Preschool		84.173					
			22619-061-ARP	-	1,650	-	6,927
Total - Special Education Preschool Grants				-	2,000	-	42,943
Total - Special Education Cluster (IDEA)				-	536,158	-	803,988
Title I Grants to Local Educational Agencies							
Title I Grant	Indiana Department of Education	84.010					
Title I Grant			S010A210014	-	315,423	-	-
Title I Grant			S010A220014	-	319,861	-	208,217
Title I Grant			S010A230014	-	-	-	182,955
Total - Title I Grants to Local Educational Agencies				-	635,284	-	391,172

SPENCER-OWEN 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
Education for Homeless Children and Youth FY20 McKinney Vento Education for Homeless Children and Youth	Indiana Department of Education	84.196	S196A200015	-	9,431	-	-
Supporting Effective Instruction State Grants Title II Part A	Indiana Department of Education	84.367	S367A200013	-	32,507	-	-
Title II Part A			S367A210013	-	48,776	-	-
Title II Part A			S367A210013	-	33,452	-	-
Title II Part A			S367A210013	-	-	-	29,819
Title II Part A			S367A210013	-	-	-	31,039
Title II Part A			S367A210013	-	-	-	18,968
Total - Supporting Effective Instruction State Grants				-	114,735	-	79,826
Student Support and Academic Enrichment Program Title IV Part A	Indiana Department of Education	84.424	S424A200015	-	9,301	-	-
Title IV Part A			S424A210015	-	23,276	-	5,161
Title IV Part A			S424A230015	-	-	-	8,354
Title IV Part A			S424A230015	-	-	-	3,431
Total - Student Support and Academic Enrichment Program				-	32,577	-	16,946
COVID-19 - Education Stabilization Fund ARP HCY II	Indiana Department of Education	84.425 W	7000S425W210015	-	9,361	-	16,416
GEER Grant		84.425 C	S425C200018	-	65,513	-	-
Education Stabilization		84.425 D	S425D210013	-	1,095,960	-	203,842
ESSER III		84.425 U	S425U200013	-	545,207	-	1,253,107
Total - COVID-19 - Education Stabilization Fund				-	1,716,041	-	1,473,365
Total - Department of Education				-	3,044,226	-	2,765,297
<b>Department of Health and Human Services</b>							
Medicaid Cluster Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Administrative Claims			2022-2023	-	185,729	-	(6,430)
Medicaid Administrative Claims			2023-2024	-	-	-	200,438
Total - Medical Assistance Program				-	185,729	-	194,008
Total - Medicaid Cluster				-	185,729	-	194,008
Total - Department of Health and Human Services				-	185,729	-	194,008
Total federal awards expended				\$ -	\$ 4,513,616	\$ -	\$ 4,091,041

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

SPENCER-OWEN COMMUNITY SCHOOLS  
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. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**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. Forest Hills Special Education Cooperative**

The School Corporation was a member of the Forest Hills Special Education Cooperative (Cooperative). As a result, some of 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 as of June 30, 2023.

SPENCER-OWEN COMMUNITY SCHOOLS  
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?	no
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

No matters are reportable.

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

**FINDING 2024-001**

Subject: Child Nutrition Cluster - Eligibility  
 Federal Agency: Department of Agriculture  
 Federal Programs: School Breakfast Program, National School Lunch Program  
 Assistance Listings Numbers: 10.553, 10.555  
 Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022-2023, FY 2023-2024  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: Eligibility  
 Audit Finding: Significant Deficiency

SPENCER-OWEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The Deputy Treasurer selected a random sample of students with a free or reduced-price lunch status and verified that their benefit was calculated correctly. This review happens annually in October or November. This internal control would not find issues with Direct Certification or applications completed for students after the annual review date. In an Indiana Department of Education Administrative review of the School Corporation during the audit period, four Direct Certification students were found to have been inappropriately issued reduced benefits as opposed to free benefits. Further, there was no documented review of the free or reduced-price lunch parameters in the School Corporation's nutrition management software, Titan.

*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). . . ."

7 CFR 245.3(c) states in part: "Each School Food Authority shall serve free and reduced price meals or free milk in the respective programs to children eligible under its eligibility criteria. . . ."

*Cause*

The School Corporation was not aware of the requirement to document its review of parameters involving free or reduced-price lunch meals. The School Corporation's current internal control in place did not account for students who may enter into the School Corporation after the October or November count and random selection by the Deputy Treasurer. These errors associated with social economic status could cause incorrect funding and meal prices charged. Thus, the School Corporation's management had not developed a system of internal controls to ensure compliance with eligibility requirements.

*Effect*

The failure to establish an effective internal control system by the School Corporation caused noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs. Incorrect funding will be given if the social economic status is not verified by the School Corporation.

SPENCER-OWEN COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 grant agreement and eligibility compliance requirements.

*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.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2022-001**

**Fiscal year in which the finding initially occurred: 07-01-2020 to 06/30/2022**

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

**Finding Subject: COVID-19 - Education Stabilization Fund – Equipment**

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, Other Matters

**Status of Audit Finding:** Fully Corrected and the original corrective action has been implemented.

The School Corporation has implemented procedures and processes to ensure that the School Corporation and 3<sup>rd</sup> Party Inventory Vendor includes all required information on all property purchased with federal funds over the threshold of \$5,000.00 that is outlined in 2 CFR 200.313(d)(1). The Treasurer/Deputy Treasurer, list items with the required information that are purchased with federal funds and forward that information to the 3<sup>rd</sup> Party Vendor. Once the report from the 3<sup>rd</sup> Party Vendor is received the Treasurer/Deputy Treasurer/Grant Administrator/Maintenance Director reviews the report to ensure all required information has been included on all items purchased with federal funds.

**Response Comments:**

(812) 829-2233  
205 E. Hillside Avenue Spencer, IN 47460  
[www.socs.k12.in.us](http://www.socs.k12.in.us)



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2022-002**

**Fiscal year in which the finding initially occurred: 07-01-2020 to 06/30/2022**  
**Current Audit Period: 07/01/2022 to 06/30/2024**

**Finding 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 Finding: Material Weakness**

**Status of Audit Finding:** Fully Corrected and the original corrective action was implemented. As a proactive measure, the school corporation employed the retiring treasurer (Darla Thomas), on a consulting basis, to oversee the gathering, review and processing of information related to the Education Stabilization Funds, ESSER I, II, III and ARP funds. Darla had begun the accounting process for these funds prior to her retirement in December of 2021 and a change of superintendents in July of 2021. The original grant administrator left for the private sector in May of 2023 as well. In addition, a new curriculum director, acting as the grant administrator, stepped into the position beginning in July of 2023. This decision was made by the superintendent and treasurer to put the additional safe guard in place to ensure the proper accounting and review practices. All documentation submitted has been signed and dated by the appropriate individuals and is filed with the appropriate ESF.

**Response Comments:**

(812) 829-2233  
205 E. Hillside Avenue Spencer, IN 47460  
www.socs.k12.in.us



## CORRECTIVE ACTION PLAN

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

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

**Contact Person Responsible for Corrective Action: Annette Brown**

**Contact Phone Number and Email Address: 812-829-2233 annettebrown@socs.k12.in.us**

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

We concur with this finding that a more thorough and more fully documented process should be in place and that it needs to cover the full school year and not be done just the one time towards the beginning of the year.

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

The Technology and Food Service Reporting Assistant (TFSRA) is the one who does the initial processing of applications and Direct Certification (DC).

The Claims/Deputy Treasurer (C/DT) is the one who does a random check on applications to confirm that eligibility is applied accurately.

This check should happen four (4) times a year:

1. Around the Fall Membership Count Day (first few days in October)
2. Christmas Break (around)
3. Spring Break (around)
4. First part of May

The TFSRA will put the list of students and their eligibility from the food service software (currently Titan) at the point of each check. The first pull of students in October will be all students while the subsequent pulls will be for the dates between the previous pull and that date with the intention of catching any new students or new student eligibility.

The C/DT will select a random sampling of students to verify. They will work with the TFSRA to look at the records in Titan for applications and CNPWeb for the DC students to see applications or the DC eligibility as appropriate. Forms will be printed or screen shot to create a file that will be saved by both parties.

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

March 14, 2025

(812) 829-2233  
205 E. Hillside Avenue Spencer, IN 47460  
www.socs.k12.in.us

# Spencer-Owen Community Schools

*All students will learn, achieve, and succeed.*



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.”

(812) 829-2233  
205 E. Hillside Avenue Spencer, IN 47460  
[www.socs.k12.in.us](http://www.socs.k12.in.us)

## 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/>.