

**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
NORTH SPENCER COUNTY SCHOOL CORPORATION
SPENCER COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED

03/12/2025

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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-22
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	24-26
Corrective Action Plan	27-29
Other Reports.....	30

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Martha Barnett Gerri Ford	07-01-22 to 12-11-22 12-12-22 to 06-30-25
Superintendent of Schools	Daniel R. Scherry	07-01-22 to 06-30-25
President of the School Board	Brian Gehlhausen Lori Gogel Annie Oxley	07-01-22 to 12-31-22 01-01-23 to 12-31-24 01-01-25 to 12-31-25



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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

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 NORTH SPENCER COUNTY SCHOOL
CORPORATION, SPENCER 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 North Spencer County School Corporation (School Corporation), for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 25, 2025, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002.

North Spencer County School Corporation's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 25, 2025



Paul D. Joyce, CPA
State Examiner

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

TO: THE OFFICIALS OF THE NORTH SPENCER COUNTY SCHOOL CORPORATION, SPENCER COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Spencer County 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.

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.

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 2023-003, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated February 25, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 25, 2025



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.



NORTH SPENCER COUNTY 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			FY23	\$ 197,800	\$ -
School Breakfast			FY24	-	139,339
Total - School Breakfast Program				<u>197,800</u>	<u>139,339</u>
National School Lunch Program	Indiana Department of Education	10.555			
School Lunch			FY23	746,858	-
School Lunch			FY24	-	563,595
Commodities			FY23, FY24	129,883	118,110
Supply Chain Funds			FY23, FY24	<u>107,610</u>	<u>68,179</u>
Total - National School Lunch Program				<u>984,351</u>	<u>749,884</u>
Total - Child Nutrition Cluster				<u>1,182,151</u>	<u>889,223</u>
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649			
Pandemic EBT Administrative Costs			FY23	<u>628</u>	<u>-</u>
Total - Department of Agriculture				<u>1,182,779</u>	<u>889,223</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
FY2022 PART B IDEA			22611-009-PN01	234,945	-
FY2023 PART B IDEA			23611-009-PN01	244,569	252,425
FY2024 PART B IDEA			24611-009-PN01	<u>-</u>	<u>271,313</u>
Subtotal - Special Education Grants to States				<u>479,514</u>	<u>523,738</u>
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027			
FY 2022 Part B ARP			22611-009-ARP	<u>63,729</u>	<u>12,532</u>
Total - Special Education Grants to States				<u>543,243</u>	<u>536,270</u>

NORTH SPENCER COUNTY 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	84.173			
FY 2022 Part B 619 Preschool			22619-009-PN01	2,304	-
FY 2023 PART B 619 PRESCHOOL			23619-009-PN01	18,811	4,025
FY 2024 Part B 619 Preschool			24619-009-PN01	-	20,627
Subtotal - Special Education Preschool Grants				<u>21,115</u>	<u>24,652</u>
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173			
FY 2022 Part B Preschool ARP			22619-009-ARP	6,463	845
Total - Special Education Preschool Grants				<u>27,578</u>	<u>25,497</u>
Total - Special Education Cluster (IDEA)				<u>570,821</u>	<u>561,767</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Basic Grant			S010A210014	17,158	-
TITLE IA BASIC GRANT FY23			S010A220014	131,772	41,797
Title IA FY24 23-24			S010A230014	-	166,195
Total - Title I Grants to Local Educational Agencies				<u>148,930</u>	<u>207,992</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
Title III FY 2020			S365A200013	9,255	-
TITLE III 2021/23			S365A210014	8,435	-
Title III 2022/24			S365A220014	-	8,464
Title III 2023/25			S365A230014	-	9,555
Total - English Language Acquisition State Grants				<u>17,690</u>	<u>18,019</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367			
Title II A FY2020			S367A200013	26,777	-
TITLE II PART A FY2021			S367A210013	20,143	20,699
Title IIA FY22 (2022-24)			S367A220013	-	22,396
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				<u>46,920</u>	<u>43,095</u>

NORTH SPENCER COUNTY 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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV FY22			S424A210015	12,341	-
Title IV FY22			S424A220015	12,541	-
Arts Integration Residency Educator Fellowship (AIRE)			S424A210015	3,000	-
Title IV 2023/25			S424A230015	-	14,219
Total - Student Support and Academic Enrichment Program				<u>27,882</u>	<u>14,219</u>
COVID-19 - Education Stabilization Fund	Indiana Department of Education				
Elementary and Secondary School Relief Fund ESSER II		84.425D	S425D210013	99,534	3,879
Federal Stimulus Education Stabilization Relief		84.425U	S425U210013	135,598	357,005
Total - COVID-19 - Education Stabilization Fund				<u>235,132</u>	<u>360,884</u>
Total - Department of Education				<u>1,047,375</u>	<u>1,205,976</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program		93.778			
Federal Medicaid Reimbursement - IEP	Indiana Family and Social Services Administration		FY23, FY24	64,718	56,455
Federal Medicaid Reimbursement - MAC	Indiana Department of Education		FY23, FY24	25,139	36,234
Total - Medical Assistance Program				<u>89,857</u>	<u>92,689</u>
Total - Medicaid Cluster				<u>89,857</u>	<u>92,689</u>
Total - Department of Health and Human Services				<u>89,857</u>	<u>92,689</u>
Total federal awards expended				<u>\$ 2,320,011</u>	<u>\$ 2,187,888</u>

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

NORTH SPENCER COUNTY 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. Exceptional Children's Cooperative

The School Corporation is a member of the Exceptional Children's 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.

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	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

FINDING 2024-001

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

Repeat Finding

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation filed the AFR as prescribed; however, internal controls over the federal award information entered into the AFR, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective. The Treasurer prepared and entered the federal award information into the AFR with no oversight, review, or approval process in place to prevent, or detect and correct, errors in the federal expenditure information prior to submission.

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

- The Medicaid Cluster was omitted, which understated grant expenditures by \$89,857 for fiscal year 2023 and \$92,689 for 2024.
- The Child Nutrition Cluster grant expenditures were understated by \$67,493 for 2023 and overstated by \$83,833 for 2024.
- Two additional grants that included immaterial errors were noted, resulting in the understatement of grant expenditures by \$3,628 in 2023. Two additional grants that included immaterial errors were noted, resulting in the understatement of grant expenditures by \$1,774 in 2024.
- Other errors included incorrect identifying numbers, program names, and federal assistance listings numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

The Treasurer, who was new to the position, and the Superintendent of Schools did not fully understand the proper way of reporting federal grants, so internal controls were not effective to ensure the ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*. Errors in the reporting of federal grants, if undetected, could result in improper determination of the requirement of a single audit and the determination of major programs, in addition to being misleading to the readers of the AFR and this audit report.

Views of Responsible Officials

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

FINDING 2024-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the School Corporation's internal control system related to financial transactions and reporting. The failure to establish a proper system of internal controls enabled material errors in the form of misstatements to occur and remain undetected and uncorrected.

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Close and Reporting

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation filed the AFR as prescribed; however, internal controls over the financial data entered into the AFR, which was the source of the School Corporation's financial statement, were not established. The Treasurer prepared and submitted the financial data into the AFR. There was no evidence of an oversight, review, or approval process to ensure the information was accurate or complete prior to submission. Due to the lack of internal controls, the financial statement of the School Corporation contained the following errors:

- The fiscal year 2023 beginning balances of the Local Rainy Day fund and Construction Bond 2020 fund were understated by \$2,000,000 and \$999,998, respectively, which were related to investments that were reported in a separate fund.
- The 2023 beginning balance of the Investments fund was overstated by \$5,999,998. This fund is an internal mechanism for tracking investments and not a true fund and thus is not reported on the financial statement.
- The 2023 receipts, disbursements, and ending cash and investments balances in the Curricular Materials fund were understated by \$183,003, \$129,094, and \$53,909, respectively. The 2024 beginning cash and investments, and disbursements in the Curricular Materials fund were understated by \$53,909 and \$7,010, and the receipts and ending cash and investments were overstated by \$164,721 and \$117,822, respectively.
- The School Spirit Cards/Donations, the HHHS Cafe Corner, the Stop the Bleed for Kids, the Chrisney Preschool, the Lincoln Trail Preschool, the DTEC Preschool, and the Nancy Hanks Preschool funds were combined and reported as Other Clearing Accounts fund. Based upon the nature of these funds, we determined that they did not meet the definition of clearing funds and required presentation as separate funds in the financial statement accordingly. The total receipts and disbursements entered for the Other Clearing Accounts fund did not agree to the activity of the individual funds. As a result, the 2023 receipts, disbursements, and ending cash and investments for these funds, in total, were understated by \$433,558, \$335,210, and \$93,348, respectively. In the 2024, receipts and disbursements were each understated by \$400,240.
- The 2023 Other Financing Sources in the Construction Bond 2020 fund were understated by \$1,000,000, and Other Financing Uses in the Construction 2020 fund were understated by \$1,000,000 due to a transfer between funds that was omitted. Other immaterial errors understate receipts and disbursements for 2023 by \$340 and \$901, respectively.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit report of the School Corporation.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

The Treasurer, who was new to the position, was the only individual involved in filing the School Corporation's AFRs and was not aware of the need for oversight or review of the financial information entered into the AFR. The School Corporation had not designed or implemented procedures that would prevent, or detect and correct, errors in the financial reporting process.

Effect

Due to the lack of a proper system of internal controls, material misstatements of the financial statement remained undetected. The financial statement contained the errors identified in the *Condition and Context*. Misstatements of the financial statement could mislead the readers of the financial statement, which could result in improper decision-making.

Views of Responsible Officials

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

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-003

Subject: Child Nutrition Cluster - Internal Controls
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): FY23, FY24
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Material Weakness

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 implemented such a system.

The School Corporation stated that it verified that vendors with which it entered into a covered transaction were not suspended or debarred, or otherwise excluded from receiving or participating in Federal awards, by checking the SAM exclusions, collecting a certification from the vendor, and/or adding a clause to the vendor's contract. During the audit period, the School Corporation entered into six covered transactions, two of which were selected for testing. For one covered transaction, the School Corporation added the suspension and debarment clause to the vendor's contract. The School Corporation designed an internal control that all contracts were approved by governance and provided the signed contract as evidence that the internal control was properly implemented. For the second covered transaction, the School Corporation obtained a certification statement from the vendor and checked the SAM exclusions. However, there was no evidence or an oversight, review, or approval process that would have ensured that the School Corporation's procedures for verifying the vendor's suspension and debarment status were properly followed.

The lack of internal controls was isolated to vendors from which the School Corporation obtained a suspension and debarment certification and/or for which the School Corporation checked the SAM exclusions.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

NORTH SPENCER COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not fully developed its system of internal controls to ensure that its procedures for verifying a vendor's suspension and debarment status were followed prior to entering into a covered transaction. The internal control procedures over suspension and debarment did not include a documented review when verification was done using a suspension and debarment certification and/or when School Corporation checked the SAM exclusions.

Effect

Without a proper system of internal controls in place that operated effectively, the School Corporation could not ensure that vendors were not suspended or debarred prior to entering into covered transactions. The lack of proper internal controls could enable material noncompliance to remain undetected, which could result in expending funds to a vendor who is excluded or disqualified from receiving federal funds. 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, as well as appropriately document the evidence of those internal controls, to ensure that the program is properly managed to ensure compliance with the terms and conditions of the federal award.

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.

North Spencer County School Corporation

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3720 E SR 162
Lincoln City, IN 47552

Phone: (812) 937-2400

Fax: (812) 937-7187

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2024

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Summary of Finding: The School Corporation had not established internal controls over the SEFA resulting in material errors.

Status of Audit Finding: Not Corrected

Response Comments: The Corporation Treasurer started January 2023 and was still learning the role. Due to learning the role, the Corporation Treasurer did not get the SEFA reviewed and approved by someone other than the preparer (the preparer being the Corporation Treasurer). The FY25 SEFA will be prepared by the Corporation Treasurer and reviewed and approved by someone other than the preparer.

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ADMINISTRATION

Dan Scherry – Superintendent
Chad Schnieders – Asst. Superintendent
Jen Jazyk – Director of Learning
Marc Schum – Director of Facilities
& Transportation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2024

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Summary of Finding: The School Corporation did not have internal controls in place to ensure compliance with the earmarking requirements of the grant and therefore did not maintain appropriate evidence to show that the earmarking requirements were met during the audit period.

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-003

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2024

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

Summary of Finding: The School Corporation did not establish internal controls over the required annual reports. As a result, the amounts listed in the annual reports could not be supported by the School Corporation's records.

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

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CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Summary of Finding: The School Corporation had not established internal controls over the information entered into Gateway, which was the source of the SEFA. Due to the lack of internal controls, the SEFA presented for audit included material errors.

Contact Person Responsible for Corrective Action: Gerri Ford, Corporation Treasurer

Contact Phone Number and Email Address: (812) 937-2400, gford@nspencer.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will enter the grant information and someone other than the preparer will review and approve the grant information prior to submitting. Documentation will be kept on file showing the review of the grant information entered.

Anticipated Completion Date:

August 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Financial Transactions and Reporting

Summary of Finding: The School Corporation had not established internal controls over the information entered into the Annual Financial Report (AFR) via Indiana Gateway, which was the source of the School Corporation's financial statement. Due to the lack of internal controls, the financial statement presented for audit included material errors.

Contact Person Responsible for Corrective Action: Gerri Ford, Corporation Treasurer

Contact Phone Number and Email Address: (812) 937-2400, gford@nspencer.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will complete the AFR and someone other than the preparer will review and approve the AFR prior to submitting. Documentation will be kept on file showing the review of the AFR.

Anticipated Completion Date:

August 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-003

Finding Subject: Child Nutrition Cluster – Internal Controls

Summary of Finding: The School Corporation had not established internal controls over the suspension and debarment compliance requirement, specifically contracts with vendors that do not include the suspension and debarment clause with the contract.

Contact Person Responsible for Corrective Action: Jennifer Lindsey, School Lunch Director

Contact Phone Number and Email Address: (812) 937-2400, jlindsey@nspencer.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

For contracts with vendors that do not include the suspension and debarment clause with the contract, the Food Service Director will provide documentation that she verified the vendor was not suspended or debarred to the Corporation Treasurer or governance for review/approval.

Anticipated Completion Date:

July 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/>.