

**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

WARRICK COUNTY SCHOOL CORPORATION

WARRICK COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/24/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nancy Lumley Amy Smith	07-01-22 to 09-24-23 09-25-23 to 06-30-25
Superintendent of Schools	Todd Lambert Abbie Redmon	07-01-22 to 06-12-23 06-13-23 to 06-30-25
President of the School Board	Jane Wilhelmus Lynda Glover	07-01-22 to 12-31-24 01-01-25 to 06-30-25



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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 WARRICK COUNTY SCHOOL
CORPORATION, WARRICK 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 Warrick 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 March 11, 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 item 2024-001, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001.

Warrick 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

March 11, 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 WARRICK COUNTY SCHOOL CORPORATION, WARRICK COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Warrick 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.

Qualified Opinion on Special Education Cluster (IDEA)

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

Unmodified Opinion on the Other Major Federal Program

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

Basis for Qualified and Unmodified Opinions

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

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

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Special Education Cluster (IDEA), as described in item 2024-002 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Other Matters

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated March 11, 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 11, 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.

WARRICK 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			
Student Breakfast Program			FY23 & FY24	\$ 586,409	\$ 532,181
National School Lunch Program					
Student Lunch Program	Indiana Department of Education	10.555		3,619,533	2,803,674
Commodities			FY23 & FY24	379,451	436,070
Total - National School Lunch Program				3,998,984	3,239,744
Summer Food Service Program for Children					
Summer Lunch Program	Indiana Department of Education	10.559		17,112	18,547
			FY23 & FY24		
Total - Child Nutrition Cluster				4,602,505	3,790,472
Pandemic EBT Administrative Costs					
School Lunch PEBT	Indiana Department of Education	10.649			
			FY23	3,135	-
Total - Department of Agriculture				4,605,640	3,790,472
<u>Department of Workforce Development</u>					
Adult Education - Basic Grants to States					
Adult Education Grant	Indiana Department of Education	84.002			
			FY21 & FY23	7,197	12,871
Total - Department of Workforce Development				7,197	12,871
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
Sp Ed IDEA Part B 611 21/22	Indiana Department of Education	84.027	22611-087-PN01	297,529	-
Sp Ed Part B 611 22/23			23611-087-PN01	2,020,953	590,987
Sp Ed IDEA Part B 611 23/24			24611-087-PN01	-	2,405,720
Subtotal - Special Education Grants to States				2,318,482	2,996,707
COVID-19 - Special Education Grants to States					
ARP IDEA 611	Indiana Department of Education	84.027X			
			22611-087-ARP	319,184	175,999
Total - Special Education Grants to States				2,637,666	3,172,706
Special Education Preschool Grants					
Sp Ed Part B 619 Preschool 22/23	Indiana Department of Education	84.173		123,231	-
Sp Ed IDEA Part B 619 23/24			23619-087-PN01	-	126,179
Sp Ed IDEA Part B 619 23/24			24619-087-PN01		
Subtotal - Special Education Preschool Grants				123,231	126,179
COVID-19 - Special Education Preschool Grants					
ARP 619 Preschool	Indiana Department of Education	84.173X			
			22619-087-ARP	10,855	18,336
Total - Special Education Preschool Grants				134,086	144,515
Total - Special Education Cluster (IDEA)				2,771,752	3,317,221

WARRICK 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I ESEA Distinguished School Award			CONSADMIN23	-	20,000
Title I 21/22			S010A210014	329,678	-
Title I 22/23			S010A220014	601,780	333,534
Title I 23/24			S010A230014	-	779,858
Total - Title I Grants to Local Educational Agencies				<u>931,458</u>	<u>1,133,392</u>
Education for Homeless Children and Youth	Indiana Department of Education	84.196			
McKinney Vento			S196A210015	5,000	-
McKinney Vento			S196A220015	-	5,000
Total - Education for Homeless Children and Youth				<u>5,000</u>	<u>5,000</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
Title III 2021-2022 FY 2022			S365A210014	1,209	89
Title III 22/23 FY 23			S365A220014	18,146	779
Title III 2023-2024 FY 2024			S365A230014	-	18,456
Total - English Language Acquisition State Grants				<u>19,355</u>	<u>19,324</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367			
Teacher Leader Bootcamp FY22			S367A210013	161	-
Teacher Leader Bootcamp FY23			S367A210013	5,988	-
Level Up Leadership 23/24 - Title II			S367A210013	-	4,256
Title II Part A FFY 21			S367A210013	137,450	-
Title II Part A FFY 2022			S367A220013	102,339	107,604
Title II Part A FFY 2023			S367A230013	-	148,655
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				<u>245,938</u>	<u>260,515</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV FFY 21			S424A210015	55,350	-
Title IV 22/23 FFY 22			S424A220015	50,377	12,915
Title IV FFY 23/24 FFY 23			S424A230015	-	53,344
Total - Student Support and Academic Enrichment Program				<u>105,727</u>	<u>66,259</u>
COVID-19 - Education Stabilization Fund	Indiana Department of Education				
CARES		84.425D	S425D200013	20,220	-
ESSER II		84.425D	S425D210013	1,030,166	139,927
ESSER III		84.425U	S425U210013	1,522,638	2,678,011
ARP Homeless		84.425W	S425W210015	15,476	-
Total - COVID-19 - Education Stabilization Fund				<u>2,588,500</u>	<u>2,817,938</u>
Total - Department of Education				<u>6,667,730</u>	<u>7,619,649</u>
Total federal awards expended				<u>\$ 11,280,567</u>	<u>\$ 11,422,992</u>

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

WARRICK 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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Special Education Cluster (IDEA) COVID-19 - Education Stabilization Fund	Qualified 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 Finding

FINDING 2024-001

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

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement. The School Corporation had not established effective internal controls over the financial information entered into the AFR. Although the Treasurer compiled and entered the financial information into Gateway, and the Assistant Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

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

Due to the lack of effective internal controls, the financial statement presented for audit did not properly reflect the financial activity of the School Corporation. The School Corporation reported transfers between bank accounts as receipts and disbursements on the financial statement; however, movement between bank accounts should not be included in the financial activity of the School Corporation. As a result, receipts and disbursements were each overstated by \$5,000,000 in fiscal year 2022-2023 and \$36,000,000 in 2023-2024.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and 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:

"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](#)."

Cause

The Treasurer compiled and entered the School Corporation's financial information into Gateway, and the Assistant Superintendent of Schools reviewed and approved the information entered. The School Corporation officials were unaware that the bank account transfer activity should not be included in the financial information entered into Gateway.

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

Effect

Without a proper system of internal controls in place that operated effectively, material misstatement of the financial statement remained undetected. The financial statement contained errors identified in the *Condition and Context*. Misstatement 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-002

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: COVID-19 - Special Education Grants to States,
COVID-19 - Special Education Preschool Grants
Assistance Listings Numbers: 84.027X, 84.173X
Federal Award Numbers and Years (or Other Identifying Numbers): 22611-087-ARP, 22619-087-ARP
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a nonfederal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds: micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold but below the simplified acquisition threshold. Small purchase procedures require that price or rate quotations must be obtained from an adequate number of qualified sources or documented reasoning to support a single source provider.

During the audit period, the School Corporation had six vendors, totaling \$165,726, that were determined to require small purchase procedures. Two vendors were selected for testing. For the two vendors tested, the School Corporation procured \$82,669 in services and could not provide evidence of open competition or quotes for the purchases.

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

Additionally, the School Corporation had not established a purchasing policy that would reflect applicable state laws and regulations, including procedures to avoid the acquisition of unnecessary or duplicative items; procedures to ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured; procedures ensure that all solicitations identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals; and did not maintain written standards of conduct covering conflicts of interest and governing actions of its employees engaged in the selection, award, and administration of contracts.

Suspension and Debarment

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAM exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that vendor.

Three covered transactions for goods or services that exceeded \$25,000 paid from the Special Education funds during the audit period were identified. The School Corporation did not verify the vendor's suspension and debarment status prior to payment for any of the three vendors. Amounts paid to the vendors totaled \$131,637.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

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2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation did not have the proper safeguards in place to ensure that the documentation was properly maintained. As a result, the School Corporation was unable to provide documentation to demonstrate it had properly procured services. In addition, the Treasurer and Assistant Superintendent of Schools assumed the vendor's suspension and debarment status was verified and quotes were being obtained or reasoning for a single source provider was being documented. There was not adequate oversight to ensure proper procurement procedures were being followed.

Effect

The School Corporation was not able to provide the documentation that they followed the proper procurement procedures or that they verified vendors were not suspended or debarred. By not following proper procurement procedures, the School Corporation may not be receiving the most competitive pricing. If the School Corporation does not verify that vendors are not suspended or debarred, the School Corporation may be purchasing from vendors that are not eligible to receive federal funds.

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(Continued)

Without a proper system of internal controls in place that operated effectively, material noncompliance remained undetected. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure there are appropriate procurement procedures for goods and services and that contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards. Documentation of all procurement and suspension and debarment activities should be maintained.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

Corrective Action Plan

Finding 2024-001

Finding Subject: Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Todd A. Armstrong, Assistant Superintendent

Contact Phone Number and Email Address: (812) 897-6036 tarmstrong@warrick.k12.in.us

Views of the Responsible Official: We concur with the finding.

Additional Explanation: The error in the financial statements was identified during the review of the statements prior to submission. Transfers between bank accounts and investment repositories were inaccurately reported as receipts and disbursements; thus, overstating both. Upon review of the issue, we determined that the differentiation between a transfer between funds and a transfer between banks would be resolved by distinction within the financial software system that we utilize. No correction was made prior to submitting the financial statements. This proved not to be effective.

Until recording the transaction within the financial software of transferring between banks and investment repositories correctly is determined, the issue will continue.

Description of Corrective Action Plan:

- 1) Determine the correct method within our financial software to record the transaction of transferring money between banks and investment repositories.
- 2) Record said transfers correctly.
- 3) Internal control will remain in place to review reports to be sure that said transfers have no impact on financial reports.

Mr. Armstrong will oversee and coordinate this process with the Treasurer Mrs. Amy Smith. Mr. Armstrong will outline expectations and determine when they have been met satisfactorily.

Anticipated Completion Date:

The remedy for this finding will be in place prior to June 30, 2025 financial statements being produced.

Corrective Action Plan

Finding 2024-002

Finding Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Todd A. Armstrong, Assistant Superintendent

Contact Phone Number and Email Address: (812) 897-6036 tarmstrong@warrick.k12.in.us

Views of the Responsible Official: We concur with the finding.

Additional Explanation: Although the vendors selected provided specific services outlined in the federal grant, proper documentation of how those vendors were selected was not maintained. Moreover, the department believed by following the spending allotted in the grant, they were meeting necessary purchasing guidelines. Internal controls did not identify this misstep and allowed the services to be purchased.

To avoid this in the future, guidelines will be prepared for all departments submitting purchase requests, and an additional control will be put in place to verify that procedures are followed.

Description of Corrective Action Plan:

- 1) Create and write an administrative guideline that outlines expected purchasing procedures.
- 2) Distribute and make available the administrative guideline to employees.
- 3) Create an additional internal control in the business office to verify that those procedures were met with each requisition or request for purchase.
- 4) Provide necessary corrections to any request that does not follow guidelines.

Mr. Armstrong will oversee, direct, and coordinate this process. He will work with the Corporation administrative team to develop and write the guidelines. The Business department will distribute the guidelines to all interested parties and have guidelines available upon request. Mr. Armstrong will outline expectations and determine when they have been met satisfactorily.

Anticipated Completion Date:

The remedy for this finding will be in place prior to June 30, 2025.

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/>.