

**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
CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOBLE COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED

03/17/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-25
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	28-33
Corrective Action Plan	34-38
Other Reports.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tyler C. Osenbaugh Kimberly N. Baumgartner	07-01-22 to 08-22-23 08-23-23 to 06-30-25
Superintendent of Schools	Robert C. Morgan	07-01-22 to 06-30-25
President of the School Board	Eric J. Custer Amanda L. Lock	07-01-22 to 12-31-22 01-01-23 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 CENTRAL NOBLE COMMUNITY
SCHOOL CORPORATION, NOBLE 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 Central Noble Community School Corporation (School Corporation), for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 6, 2025, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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.

Central Noble Community 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 6, 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 CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Central Noble Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2022 to June 30, 2024. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on 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 Each of the Other Major Federal Programs

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 the Special Education Cluster (IDEA), as described in item 2024-004 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

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

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-004, 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 6, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2025

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2022 - 2023	\$ -	\$ 72,856	\$ -	\$ -
School Breakfast Program			FY 2023 - 2024	-	-	-	64,167
Total - School Breakfast Program				-	72,856	-	64,167
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2022 - 2023	-	366,994	-	-
National School Lunch Program			FY 2023 - 2024	-	-	-	272,988
Supply Chain Assistance			FY 2022 - 2023	-	66,386	-	-
Supply Chain Assistance			FY 2023 - 2024	-	-	-	40,559
Commodities			FY 2022 - 2023	-	46,870	-	-
Commodities			FY 2023 - 2024	-	-	-	55,182
Total - National School Lunch Program				-	480,250	-	368,729
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2022 - 2023	-	11,275	-	-
Summer Food Service Program			FY 2023 - 2024	-	-	-	14,371
Total - Summer Food Service Program for Children				-	11,275	-	14,371
Total - Child Nutrition Cluster				-	564,381	-	447,267
Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			FY 2022 - 2023	-	628	-	-
Farm to School Grant Program							
Farm to School Grant Program	Indiana Department of Education	10.575					
Farm to School Grant Program			FY 2023 - 2024	-	-	-	489
Total - Department of Agriculture				-	565,009	-	447,756
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Ed	Indiana Department of Education	84.027	21611-042-PN01	-	2,605	-	-
Special Ed			22611-042-PN01	-	7,776	-	-
Special Ed			22611-042-PN01	-	-	-	4,300
Special Ed			23611-042-PN01	-	277,084	-	-
Special Ed			23611-042-PN01	-	-	-	2,956
Special Ed			24611-042-PN01	-	-	-	287,562
Subtotal - Special Education Grants to States				-	287,465	-	294,818
COVID-19 - Special Education Grants to States							
FY 2022 IDEA ARP 611 Grant	Indiana Department of Education	84.027	22611-042-ARP	-	39,180	-	27,010
Total - Special Education Grants to States				-	326,645	-	321,828
Special Education Preschool Grants							
Special Ed	Indiana Department of Education	84.173	21619-042-PN01	-	48	-	-
Special Ed			22619-042-PN01	-	-	-	26
Special Education			23619-042-PN01	-	6,664	-	-
Special Education			24619-042-PN01	-	-	-	6,903
Subtotal - Special Education Preschool Grants				-	6,712	-	6,929

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
COVID-19 - Special Education Preschool Grants FY 2022 IDEA ARP 619 Grant	Indiana Department of Education	84.173	22619-042-ARP	-	3,340	-	1,600
Total - Special Education Preschool Grants				-	10,052	-	8,529
Total - Special Education Cluster (IDEA)				-	336,697	-	330,357
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A210014	-	40,081	-	-
Title I			S010A220014	-	-	-	164,114
Title I			S010A230014	-	-	-	133,393
Total - Title I Grants to Local Educational Agencies				-	40,081	-	297,507
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			S367A200013	-	15,089	-	-
Title II			S367A200013	-	-	-	17,661
Title II			S367A210013	-	-	-	29,303
Total - Supporting Effective Instruction State Grants				-	15,089	-	46,964
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A210015	-	11,432	-	-
Title IV			S424A210015	-	-	-	11,164
Title IV			S424A230015	-	-	-	4,210
BSCA: SC Grant			S424F220015	-	-	-	95,450
Total - Student Support and Academic Enrichment Program				-	11,432	-	110,824
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
CARES Act		84.425D	S425D200013	-	73,820	-	-
CARES Act		84.425D	S425D210013	-	125,497	-	-
CARES Act		84.425D	S425D210013	-	-	-	100,372
Cares Act		84.425D	S425D210013	-	-	-	22,150
CARES Act (ARP)		84.425U	S425U210013	-	299,543	-	-
CARES Act (ARP)		84.425U	S425U210013	-	-	-	116,444
Total - COVID-19 - Education Stabilization Fund				-	498,860	-	238,966
Total - Department of Education				-	902,159	-	1,024,618
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid Reimbursement			6055 FY 22-23	-	34,417	-	-
Medicaid Reimbursement			6055 FY 23-24	-	-	-	20,836
Total - Medical Assistance Program				-	34,417	-	20,836
Total - Medicaid Cluster				-	34,417	-	20,836
Total - Department of Health and Human Services				-	34,417	-	20,836
Total federal awards expended				\$ -	\$ 1,501,585	\$ -	\$ 1,493,210

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. Northeast Indiana Special Education Cooperative

The School Corporation is a member of the Northeast Indiana Special Education Cooperative (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	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)	Qualified
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: Financial Transactions and Reporting
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.

Condition and Context

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

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

Financial Close and Reporting

The School Corporation is required to file financial reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Annual Financial Report and financial statement, were not effective.

The School Corporation did not properly review the financial information prepared and submitted in Gateway. Although one employee entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit included the following errors:

The School Corporation omitted the following 13 funds as detailed below. As a result, the beginning cash and investments balance as of July 1, 2022, was understated by \$31,394. The receipts and disbursements for fiscal year 2022-2023 were understated by \$802 and \$48,632, respectively, which resulted in the ending cash and investments balance as of June 30, 2023, to be overstated by \$16,436. The receipts and disbursements for 2023-2024 were understated by \$176,655 and \$141,803, respectively, which resulted in the ending cash and investments balance as of June 30, 2024, to be understated by \$18,416.

- Wolf Lake Comfortable Learning
- 18-19 Early Intervention Grant
- Career/Tech Performance Grant
- TAG 2021
- High Ability 2021-22
- Title IV FY 20
- FFY 2021 Title II Part A
- Insurance Liability Clearing
- Judgements
- 2024-2025 Grants
- BSCA Grant
- SY 2022-2024 Title II Part A
- Title II - FFY 23

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

There were 12 additional errors in the reporting of receipts and disbursements for 10 reported funds. For 2022-2023, receipts were understated by \$50,755 and disbursements were overstated by \$3,861, resulting in the ending cash and investments balance to be understated by \$54,616. For 2023-2024, receipts were overstated by \$2,968 and disbursements were understated by \$2,114, resulting in the ending cash and investments balance to be understated by \$49,534.

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 in the Financial Statement Audit Report of the School Corporation.

Cash and Investments

The School Corporation did not establish effective internal controls over the completion of depository reconciliations of the bank account balances to the fund balances.

Due to the lack of effective internal controls, depository reconciliations included the following errors:

- Monthly bank account balance statements were not reconciled to the balances of public funds per the School Corporation's records but instead were compared to the School Corporation's accounting system bank account balances.
- On June 30, 2023, the adjusted bank account balance showed \$25,859 more than the total balances of public funds as presented in the Financial Statement Audit Report of the School Corporation.
- On June 30, 2024, the adjusted bank account balance showed \$175,776 more than the total balances of public funds as presented 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. . . ."

CENTRAL NOBLE COMMUNITY 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](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

For financial close and reporting, the review and approval process of financial data entered into Gateway did not take into consideration the completeness of all fund activity in the School Corporation's records. For cash and investments, the School Corporation management did not consider the need to conduct a monthly depository reconciliation of the bank account balances to the fund balances.

Effect

For financial close and reporting, the ineffective review and approval process lead to material misstatements as documented in the *Condition and Context* that remained undetected. For cash and investments, the lack of depository reconciliations of the bank account balances to the fund balances resulted in unidentified differences as documented in the *Condition and Context*.

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: 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 2022-002.

Condition and Context

The School Corporation is required to file financial reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

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

The School Corporation did not effectively review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect or correct errors prior to submission.

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

- 10.553 School Breakfast Program: omitted grant, resulting in an understatement in the amounts of \$72,856 and \$64,167 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program: omitted grant, resulting in an understatement in the amounts of \$366,994 and \$272,988 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program Commodities: understated by \$6,845 and \$6,500 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program Supply Chain Assistance: omitted grant, resulting in an understatement in the amounts of \$66,386 and \$40,559 for 2022-2023 and 2023-2024, respectively.
- 10.575 Farm to School Grant Program: omitted grant, resulting in an understatement in the amount of \$489 for 2023-2024.
- 10.649 Pandemic EBT Administrative Costs: omitted grant, resulting in an understatement in the amount of \$628 for 2022-2023.
- 84.010 Title I Grants to Local Educational Agencies: understated by \$4,916 for 2022-2023, and omitted the 2022 grant, resulting in an understatement in the amount of \$164,114 for 2023-2024.
- 84.367 Supporting Effective Instruction State Grants: overstated the 2020 grant for 2022-2023 in the amount of \$22,528, and omitted the 2021 grant, resulting in an understatement in the amount of \$29,303 for 2023-2024.
- 84.424 Student Support and Academic Enrichment Program: omitted the 2022-2023 grant, resulting in an understatement of \$4,210 for 2023-2024.
- 84.425 COVID-19 - Education Stabilization Fund: overstated grant in the amount of \$20,950 for 2023-2024.
- 93.778 Medical Assistance Program: overstated grant in the amount of \$241 for 2023-2024.
- Other errors included omitted assistance listings numbers, incorrect program names, and incorrect identifying numbers.

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

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

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](#)."

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. . . ."

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

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.
- (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 review and approval process of federal award information entered into Gateway did not take into consideration the completeness of all federal grant activity in the School Corporation's records.

Effect

The ineffective review and approval process lead to material misstatements of the SEFA as documented in the *Condition and Context* that remained undetected.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-003

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022 - 2023, FY 2023 - 2024
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

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 vendor, or adding a clause or condition to the covered transaction with that vendor.

The School Corporation did not verify that all vendors with covered transactions that equaled or exceeded \$25,000 were not suspended, debarred, or otherwise excluded from participation in federal award programs. The School Corporation had three covered transactions during the audit period with two different vendors. The School Corporation provided the formal contract for fiscal years 2023 and 2024 for one of the vendors that included a clause or condition to the covered transaction with that vendor. The second vendor did not have a formal contract associated with the covered transaction and the School Corporation did not check the SAM exclusions or collect a certification from that vendor. The School Corporation did not establish internal controls to ensure that someone is checking the SAM exclusions, collecting a certification, or ensuring there is a clause or condition to covered transactions.

The lack of internal controls was systemic throughout the audit period. The noncompliance was isolated to 2024.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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

Cause

A proper system of internal controls was not designed by management of the School Corporation. Although the School Corporation was aware of this requirement and verified that a suspension and debarment clause was included in one of its vendor's contract, they were not aware that the requirement also applied for covered transactions without a formal contract.

Effect

Without the proper implementation of an effectively designed system of internal controls, the School Corporation cannot ensure that the vendors paid with federal funds were eligible to participate in federal programs. Any program funds the School Corporation used to pay vendors that were suspended and debarred would be unallowable, and the awarding agency could potentially recover them.

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 vendors are not suspended, debarred, or otherwise excluded prior to entering into any covered transactions.

Views of Responsible Officials

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

FINDING 2024-004

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

Federal Award Numbers and Years (or Other Identifying Numbers): 22611-042-ARP, 22619-042-ARP

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

The School Corporation is a member of the Northeast Indiana Special Education Cooperative (Cooperative). During fiscal years 2022-2023 and 2023-2024, the Cooperative operated the special education program and spent the federal money on behalf of all its members. As the grant agreement was between the Indiana Department of Education and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the procurement and the suspension and debarment requirements. The Cooperative did not have adequate procedures in place to ensure that the requirements for the simplified acquisition threshold and for small purchases were met for each applicable procured good or service or to ensure that vendors were not suspended or debarred prior to entering into a covered transaction.

Procurement

When the value of the procurement for property or services exceeds the simplified acquisition threshold (SAT), or a lower threshold established by a nonfederal entity, formal procurement methods are required. The SAT is typically set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold. Therefore, the SAT threshold is set at \$150,000. Formal procurement methods require adherence to documented procedures and formal methods such as sealed bids or proposals. When the purchase value exceeds the micro-purchase threshold but is less than the simplified acquisition threshold, a small purchase occurs. Small purchases require documented full and open competition or a documented rationale for limited competition.

For 2022-2023, the Cooperative had one vendor, with disbursements totaling \$379,313, which exceeded the SAT threshold of \$150,000. The Cooperative did not obtain sealed bids or competitive proposals nor was there documentation detailing the history of the procurement, which must include the reason for the procurement method used.

For 2022-2023, the Cooperative had one vendor with disbursements in the amount of \$55,374, which were less than the SAT threshold of \$150,000 but exceeded the \$50,000 micro-purchase threshold and was selected for testing. The Cooperative did not obtain price or rate quotes nor was there documentation detailing the history of the procurement, which must include the reason for the procurement method used.

For 2023-2024, three vendors with disbursements totaling \$175,125 were identified as being less than the simplified acquisition threshold of \$150,000 but exceeding the \$50,000 micro-purchase threshold and were selected for testing. The Cooperative did not obtain price or rate quotes for two of the three vendors and there was no documentation detailing the history of the procurement, which must include the reason for the procurement method used.

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 vendor, or adding a clause or condition to the covered transaction with that vendor.

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

Upon inquiry of the Cooperative in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the Cooperative disclosed there were not any documented internal controls or procedures. Nine covered transactions were identified. The covered transactions, totaling \$803,836, were selected for testing. The Cooperative did not verify the suspension and debarment status of the tested vendors prior to payment.

The lack of internal controls and noncompliance were systemic 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 200.320 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. . . .

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

(b) *Formal Procurement Methods.* When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate: . . .

- (1) *Sealed bids.* A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions. . . .
- (2) *Proposals.* A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. . . ."

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.gov 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 Cooperative noted that the ARP portion of the Special Education grant was new for 2022-2023 and 2023-2024. The ARP funding gave opportunity for types of expenditures that do not typically get expensed using Special Education funding. The transactions noted within the *Condition and Context* were from the ARP portion of the grant, which provided property or services that exceeded the micro-purchase threshold. Management of the Cooperative was unaware of the procurement requirements when property or services exceed the micro-purchase threshold. In addition, management of the Cooperative was unaware of the suspension and debarment requirements when a covered transaction is expected to equal or exceed \$25,000.

Effect

Without the proper implementation of an effectively designed system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Without following the required methods for procurement, the Cooperative could be overpaying for services. Unverified vendors to whom payments equal to or in excess of \$25,000 could be suspended, debarred, or otherwise excluded.

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

Noncompliance with the provisions of federal statutes, regulations, and terms and conditions of the federal award could result in the reduction of future federal funding to the Cooperative.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Cooperative's management design and implement a system of internal controls related to procurement and suspension and debarment procedures to ensure procurement requirements are met and to ensure entities are neither suspended nor debarred, or otherwise excluded or disqualified prior to entering into any covered transactions.

Views of Responsible Officials

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



AUDITEE-PREPARED DOCUMENTS

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



Central Noble Community School Corporation

Central Noble Junior-Senior High School
Central Noble Elementary
Central Noble Primary

p. 260-636-2175
f. 260-636-7918
www.centralnoble.k12.in.us
200 E. Main St
Albion, IN 46701

Summary Schedule of Prior Audit Findings

Finding 2022-001

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: Financial Close and Reporting
Summary of Finding: Material Weakness, noncompliance. The School Corporation had not established internal controls over the financial information entered into Gateway.

Status of Audit Finding: Partially Corrected

Response Comments: This prior audit finding has been partially corrected. Payroll clearing accounts were included in SBOA AFR's after this audit, the accounts listed in the corrective action plan were closed and Central Office did start cross training the corporation treasurer to complete the AFR so that the Business Manager could review the AFR. Training the corporation treasurer did leave room for continued AFR errors as she was learning her new role. Further training and a better understanding of the AFR process will keep future Gateway errors to a minimum.

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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Finding 2022-002

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding: Material weakness, noncompliance. The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway.

Status of Audit Finding: Partially Corrected.

Response Comments: The School Corporation did train a new corporation treasurer to complete and submit the SEFA information for the 23/24 school year, but several grants were still missed in the SEFA reporting. Auditor's proposed adjustments during the audit and corrections were made in Gateway. The corrected 23/24 SEFA will act as a future guideline for reporting purposes. Continued training on the AFR/SEFA process for CN staff is necessary.

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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Finding 2022-003

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: Special Education Cluster (IDEA) - Earmarking
Summary of Finding: The School Corporation performed inadequate oversight to the Cooperative in order to ensure compliance with the Matching, Level of Effort and Earmarking compliance requirement.

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

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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Finding 2022-004

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wages Rate Requirements

Summary of Finding: Davis Bacon Act prevailing wage rates were not ensured when federal funds were spent on construction costs.

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

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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Finding 2022-005

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles

Summary of Finding: The School Corporation had not designed nor implemented adequate policies and procedures to ensure that program costs were supported by proper documentation, were allowable, and solely for the operation and improvement of the food service program.

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

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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Finding 2022-006

Fiscal Year in which the finding initially occurred: 2022
Current Audit Period: July 1, 2022 - June 30, 2024

Finding Subject: Child Nutrition Cluster - Reporting

Summary of Finding: The School Corporation did not have an effective system of internal controls to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. Monthly claims did not match ledgers.

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

Kimberly Baumgartner
Corporation Treasurer
February 5, 2025



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CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Kimberly Baumgartner

Contact Phone Number and Email Address: 260-636-2175

baumgartnerk@centralnoble.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation will review its internal control process for financial transactions and reporting. The Business Manager and Corporation Treasurer will work closely together on submission of the next Annual Financial Report through Gateway with official oversight from the Business Manager. The Business Manager and Corporation Treasurer will also complete further training on AFR guidelines.

AFR Financial Reporting

- 1) The Corporation Treasurer will prepare financial documents for the AFR.
- 2) The Business Manager will verify numbers on the AFR Cash Fund Statement with the school corporation's accounting system's Fund Report to ensure that all funds, beginning balances, revenue and expenditures are accounted for.
- 3) The Corporation Treasurer and Business Manager will both initial AFR submissions and supporting documents to provide proof of compliance.

Monthly Bank Reconciliation

- 1) The Corporation Treasurer along with the Business Manager will review the monthly bank reconciliation process so that the proper reconciliation is taking place.
 - a. Monthly bank statements from the bank need to balance with the stated public funds on the school corporation's accounting systems Bank to Fund Balance Report.
- 2) The Corporation Treasurer and Business Manager will both initial the bank balancing sheet noting any differences as well as the Bank to Fund Balance Report to provide proof of compliance.

Anticipated Completion Date: July 2025



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CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Kimberly Baumgartner

Contact Phone Number and Email Address: 260-636-2175
baumgartnerk@centralnoble.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation will review its internal control process for SEFA reporting. The Business Manager and Corporation Treasurer will work closely together on submission of the next Annual Financial Report on Gateway which includes the SEFA with official oversight from the Business Manager. The Business Manager and Corporation Treasurer will also complete further training on SEFA guidelines.

- 1) The Corporation Treasurer will prepare financial uploads for the AFR.
- 2) The Corporation Treasurer will confirm that all grant funds include the correct grant identification based on grant award letter information.
- 3) The Business Manager will verify that all grant funds include proper grant identification as well as financial data per the school corporation's accounting system prior to submission of the AFR/SEFA.
- 4) The Corporation Treasurer and Business Manager will initial the SEFA along with supporting documentation to provide proof of compliance.

Anticipated Completion Date: July 2025



Central Noble Community School Corporation

Central Noble Junior-Senior High School
Central Noble Elementary
Central Noble Primary

p. 260-636-2175
f. 260-636-7918
www.centralnoble.k12.in.us
200 E. Main St
Albion, IN 46701

CORRECTIVE ACTION PLAN

FINDING: 2024-003

Finding Subject: Child Nutrition Cluster - Suspension and Debarment

Contact Person Responsible for Corrective Action: Kimberly Baumgartner

Contact Phone Number and Email Address: 260-636-2175

baumgartnerk@centralnoble.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation will review its internal control process for checking if a vendor is suspended or debarred prior to doing business with that vendor. All future expenditures triggering suspension and debarment requirements will include implementing the following procurement policies. The Business Manager will initial the supporting documentation for verifying a vendor to provide proof of compliance.

Reference Suspension and Debarment Standards 2 CFR 180.300

Districts may not enter into contracts with entities that have been suspended or debarred from participating in contracts with federal funds. For contracts over \$25,000, districts must verify a contractor is not excluded or disqualified. Contractors must be verified in one of three ways:

1. Checking the System for Award Management (SAM) (www.SAM.gov)
2. Collecting a certificate from that contractor.
3. Adding a clause or condition to the covered transaction with that contractor.
(Recommended)

Anticipated Completion Date: July 2025



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CORRECTIVE ACTION PLAN

FINDING 2024-004

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

Contact Person Responsible for Corrective Action: Dawn Mason, Business Manager,
DeKalb Co. Eastern CSD

Contact Phone Number and Email Address: 260-868-2125

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The expenditures referenced in the finding were expended from the American Rescue Plan Special Education grant funds which were fully expended during the audit period. All future expenditures triggering procurement and suspension and debarment requirements will include implementing the following procurement policies.

Reference Procurement Standards 2 CFR 200.318

Districts may not enter into contracts with entities that have been suspended or debarred from participating in contracts with federal funds. For contracts over \$25,000, districts must verify a contractor is not excluded or disqualified. Contractors must be verified in one of three ways:

1. Checking the System for Award Management (SAM) (www.SAM.gov)
2. Collecting a certificate from that contractor.
3. Adding a clause or condition to the covered transaction with that contractor. *(Recommended)*

***Proper verification and documentation must be sent to the LEA for audit purposes.*

Methods of Procurement

Where specific EDGAR/UG thresholds apply, Districts must meet baseline requirements for procurement. If State or local rules have more restrictive thresholds, the most restrictive rule must be followed.

Informal Procurement Procedures

1. Micro-purchase (0-\$50,000)
Dekalb County Eastern CSD has self-certified micro-purchases for up to \$50,000
Micro-purchases may be awarded without soliciting competitive quotes if the district considers the price to be reasonable. Quotes must be attached to the invoice/checks for proper documentation and retained by the LEA.
2. Small Purchase (\$50,000 – \$150,000)
Three quotes are required prior to purchase unless the purchase comes from a “Sole Source” vendor. Small purchases are required to be ordered under a purchase order unless in an emergency. Additional quotes must be presented along with the purchase order prior to being approved by the LEA.

Formal Procurement Procedures

1. Sealed Bids (above \$150,000)
Bids must be solicited from an adequate number of suppliers, providing them with sufficient response time prior to the opening of the bids. Proper advertisement and procedures must be followed per IC 5-22 and corresponding documentation must be presented to the LEA prior to any final approval or purchases being made.
2. Competitive Proposals (above \$150,000)
The Request for Proposal method is used for procurements in which factors other than cost play a significant role. Per IC 5-22-9, when a purchasing agent makes a written determination that the use of competitive sealed bidding is either not practicable or not advantageous to the governmental body, the purchasing agent may award a contract using this procedure instead of competitive sealed bidding. This provides a formal process for the procurement of goods and/or services for which price is not the sole factor in the selection of a vendor or vendors. Proper advertisement and procedures must be followed per IC 5-22 and corresponding documentation must be presented to the LEA prior to any final approval or purchases being made.

Noncompetitive (Sole Source)

All sole source procurements require adequate written justification and must be attached to the corresponding purchase order or payment.

Anticipated Completion Date:

All expenditures initiated after March 12, 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/>.