

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION

DUBOIS COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tracy A. Troesch	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Jamie Pund	07-01-21 to 06-30-24
President of the School Board	Kent Uebelhor	07-01-21 to 06-30-24



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 SOUTHEAST DUBOIS COUNTY
SCHOOL CORPORATION, DUBOIS 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 Southeast Dubois County School Corporation (School Corporation), for the period of July 1, 2021 to June 30, 2023, 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 18, 2024, 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 2023-001, 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 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 item 2023-001.

Southeast Dubois 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 18, 2024



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 SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Southeast Dubois 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, 2021 to June 30, 2023. 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 COVID-19 - Education Stabilization Fund

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 COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

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 its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2021 to June 30, 2023.

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.

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)

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.

Matter Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in item 2023-003 for Equipment and Real Property Management. 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.

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)

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.

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 2023-002. 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 2023-002 and 2023-003, to be material weaknesses.

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

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

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)

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 18, 2024, 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 18, 2024

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.

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SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

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 06-30-22	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast Program			2021-2022	\$ 119,135	\$ -
School Breakfast Program			2022-2023	-	71,974
Total - School Breakfast Program				<u>119,135</u>	<u>71,974</u>
National School Lunch Program					
National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			2021-2022	644,259	-
National School Lunch Program			2022-2023	-	431,837
Commodities			2021-2022, 2022-2023	87,059	57,918
Supply Chain Assistance			2022-2023	-	70,886
Total - National School Lunch Program				<u>731,318</u>	<u>560,641</u>
Total - Child Nutrition Cluster				<u>850,453</u>	<u>632,615</u>
Child Nutrition Discretionary Grants Limited Availability					
National School Lunch Program	Indiana Department of Education	10.579	212IN811N8103	-	29,542
Pandemic EBT Administrative Costs					
PEBT Administrative Foods	Indiana Department of Education	10.649			
PEBT Administrative Foods			FY 2022	614	-
PEBT Administrative Foods			FY 2023	-	628
Total - Pandemic EBT Administrative Costs				<u>614</u>	<u>628</u>
Total - Department of Agriculture				<u>851,067</u>	<u>662,785</u>
<u>Federal Communications Commission</u>					
COVID-19 - Emergency Connectivity Fund Program	Direct Grant	32.009			
Emergency Connectivity Fund Program			2021-2022	67,102	-
Emergency Connectivity Fund Program			2022-2023	-	34,236
Total - COVID-19 - Emergency Connectivity Fund Program				<u>67,102</u>	<u>34,236</u>
Total - Federal Communications Commission				<u>67,102</u>	<u>34,236</u>

SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

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 06-30-22	Total Federal Awards Expended 06-30-23
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Special Education Cluster			20611-009-PN01	4,940	-
Special Education Cluster			21611-009-PN01	151,142	-
Special Education Cluster			22611-009-PN01	137,635	134,161
Special Education Cluster			23611-009-PN01	-	141,372
Subtotal - Special Education Grants to States				293,717	275,533
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X			
Special Education Cluster			22611-009-ARP	19,297	37,318
Total - Special Education Grants to States				313,014	312,851
Special Education Preschool Grants	Indiana Department of Education	84.173			
Special Education Cluster			21619-009-PN01	1,594	-
Special Education Cluster			22619-009-PN01	8,848	1,024
Special Education Cluster			23619-009-PN01	-	8,452
Subtotal - Special Education Preschool Grants				10,442	9,476
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173X			
Special Education Cluster			22619-009-ARP	545	3,783
Total - Special Education Preschool Grants				10,987	13,259
Total - Special Education Cluster (IDEA)				324,001	326,110
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Part A Cluster			S010A200014	14,117	-
Title I Part A Cluster			S010A210014	66,333	29,974
Title I Part A Cluster			S010A220014	-	33,245
Total - Title I Grants to Local Educational Agencies				80,450	63,219
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Improving Teacher Quality State Grants			S367A200013	4,206	-
Improving Teacher Quality State Grants			S367A210013	14,798	6,974
Improving Teacher Quality State Grants			S367A220013	-	12,831
Total - Supporting Effective Instruction State Grants				19,004	19,805

SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

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 06-30-22	Total Federal Awards Expended 06-30-23
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV Part A Cluster			S424A200015	2,747	24,161
Title IV Part A Cluster			S424A210015	10,000	-
Title IV Part A Cluster			S424A220015	-	10,000
Total - Student Support and Academic Enrichment Program				<u>12,747</u>	<u>34,161</u>
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425			
Education Stabilization		84.425C	S425C200018	36,104	2,618
Education Stabilization		84.425D	S425D210013	246,555	63,284
Education Stabilization		84.425U	S425U210013	242,742	208,862
Total - COVID-19 - Education Stabilization Fund				<u>525,401</u>	<u>274,764</u>
Total - Department of Education				<u>961,603</u>	<u>718,059</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program	Indiana Family and Social Services Administration	93.778			
Medicaid Cluster			IEP	22,668	26,380
Medical Assistance Program	Indiana Department of Education	93.778			
Medicaid Cluster			MAC	9,306	7,493
Total - Medical Assistance Program				<u>31,974</u>	<u>33,873</u>
Total - Medicaid Cluster				<u>31,974</u>	<u>33,873</u>
Total - Department of Health and Human Services				<u>31,974</u>	<u>33,873</u>
Total federal awards expended				<u>\$ 1,911,746</u>	<u>\$ 1,448,953</u>

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

SOUTHEAST DUBOIS 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 grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2022 and 2023. 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed 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. The Exceptional Children's Cooperative

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

SOUTHEAST DUBOIS COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

<u>Assistance Listings Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Unmodified 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 2023-001

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

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 financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, were not effective.

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

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although the Treasurer compiled, reviewed, and entered the School Corporation's financial information in Gateway, and the Superintendent of Schools reviewed and certified the information entered was accurate, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

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 following errors were noted:

- The School Corporation utilized a third-party administrator to administer the Self-Insurance fund. The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income, expenditures, and ending cash balances. However, the School Corporation did not report all the activity of the Self-Insurance fund. As such, receipts and the ending cash and investments balance were each understated by \$1,177,000 for the year ended June 30, 2023.
- Eighteen additional errors, totaling \$464,876, were identified in the financial statement of the School Corporation.

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

Criteria

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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, Chapter 1)

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. . . .

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

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

Cause

Management of the School Corporation had not established an effective system of internal controls that would have ensured proper reporting of the financial statement.

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*.

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 2023-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-003.

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.

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

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 non-federal 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. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

During the audit period, the School Corporation had purchases from three vendors, totaling \$294,518, that were considered small purchases. All three vendors were selected for testing. For one vendor, in both fiscal years, the School Corporation procured more than \$50,000 in like/kind services without obtaining a contract. The total dollar amount spent with this vendor was \$190,425.

The lack of internal controls and noncompliance were isolated to the one vendor noted above.

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 SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation 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 School Corporation disclosed that the Business Manager verified vendors were not suspended or debarred by reviewing the SAMs exclusions. The School Corporation's records only indicated one vendor, in both fiscal years, incurred more than \$25,000 in covered transactions, totaling \$190,425. The School Corporation did not have documentation to show that the vendor was verified for suspension and debarment status prior to payment.

The lack of internal controls and noncompliance were isolated to the one vendor noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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. . . ."

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agency expects the purchase to be:

- (1) at least fifty thousand (\$50,000); and
- (2) not more than one fifty thousand (\$150,000).

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) person known to deal in the lines or classes of supplies to be purchased. . . .

(d) If the purchasing agency receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required. . . ."

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

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

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, procurement procedures for goods and services were not adhered to for vendors that fell within the small purchase threshold and vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

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.

Views of Responsible Officials

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

FINDING 2023-003

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425C, 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

A property record or capital asset listing would include the following for each asset: a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The property record or capital asset listing should be maintained for assets purchased that exceed the School Corporation's capitalization threshold.

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not include all assets purchased with the COVID-19 - Education Stabilization Fund award. A total of ten assets were purchased during the audit period. All ten were selected for testing. Two of the ten capitalized expenditures in the amounts of \$70,000 and \$26,440 related to the replacement of rooftop air conditioning units were not included on the capital asset listing. Additionally, the capital asset listing provided did not identify which assets were purchased with federal dollars nor did the assets have an assigned serial number or other identification number.

The lack of effective 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 200.313(d)(1) states:

"Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, assets purchased with federal dollars, ESSER funds, were not properly added to the School Corporation's asset listing. In addition, assets on the listing did not denote whether federal funds were used to acquire the asset or an identification number.

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 asset records include all the necessary information and new assets are added.

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.



Southeast Dubois School Corporation

432 E. 15th Street, Ferdinand, IN 47532

812.817.0900

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: FY2020 and FY2021

Current Audit Period: July 1, 2021 to June 30, 2023

Finding Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income

Summary of Finding:

The School Corporation paid a portion of the salaries for the school building administrative assistants and the School Lunch Director/Data Manager from the School Lunch fund without proper documentation to support the allocation.

The administrative assistants' salaries were allocated to the Child Nutrition Cluster based on estimations of time spent on the Child Nutrition programs. The amount allocated was one hour per day for Elementary/Intermediate school administrative assistants and two hours per day for High School administrative assistants. Additionally, about 80 percent of the School Lunch Director/Data Manager's salary was allocated to the Child Nutrition programs.

All transactions related to the unsupported salaries paid from the program were reviewed. In all cases the amount charged was based on a specific number of hours which could not be supported with activity records or other documentation to show the time was a direct cost of the program. The total unsupported salaries paid to the employees was \$27,598. This amount represents the entire amount of the administrative assistants' and School Lunch Director/Data Manager's salaries for the audit period. The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Status of Audit Finding:

Fully Corrected and the original correction action was implemented.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002

Fiscal year in which the finding initially occurred: FY2020 and FY 2021

Current Audit Period: July 1, 2021 to June 30, 2023

Finding Subject: Child Nutrition Cluster - Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Summary of Finding:

The School Lunch Director/Data Manager filed monthly meal claims for reimbursement without a review or oversight by other school personnel to ensure their accuracy.

Income guidelines were entered into the Harmony student management system by the School Lunch Director/Data Manager without a review or oversight process.

Verification was properly completed and filed by the School Lunch Director/Data Manager; however, there was no review or oversight by other school personnel to verify that it was properly completed and timely.

Status of Audit Finding:

Fully Corrected and the original correction action was implemented.



Southeast Dubois School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: FY2020 and FY 2021

Current Audit Period: July 1, 2021 to June 30, 2023

Finding Subject: Child Nutrition Cluster - Suspension and Debarment

Summary of Finding:

The School Corporation had not designed or implemented adequate internal controls to ensure that vendors were not suspended, debarred, or otherwise excluded from participation in federal award programs. The School Corporation entered into a contract but did not verify that the vendor was not suspended or debarred.

Status of Audit Finding:

Partially Corrected

Response Comments:

Southeast Dubois County School Corporation followed the corrective action that was issued during the prior audit. During the audit of the 2021-2023 school year, the State Board of Accounts indicated that the corrective action and steps that were taken to verify compliance was not adequate. The school corporation will start implementing the Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion from the IN Department of Education to vendors starting in March 2024.



Southeast Dubois School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

The Treasurer prepared the Annual Financial Report (AFR) and the Superintendent reviewed it prior to submission into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. Multiple errors were detected, and adjustments were made including an adjustment to receipts to the Self Insurance fund totaling \$1,177,000 during the second year of the audit.

Contact Person Responsible for Corrective Action: Tracy Troesch

Contact Phone Number and Email Address: 812-817-0900; tracy.troesch@sedubois.k12.in.us

Views of Responsible Officials: *We concur with the finding.*

Description of Corrective Action Plan:

The error to the Annual Financial Report (AFR) for the Self Insurance fund was due to the School Corporation not having complete financials from the 3rd party vendor, outside of the school's financials. The Business Manager has contacted the 3rd party vendor to have more timely financial information to be recorded on the Annual Financial Report (AFR). The other errors on the Annual Financial Report (AFR) were minor reporting errors that were reported correctly in the school corporation's financial system, but not transposed to the Annual Financial Report (AFR) correctly. The Business Manager and Superintendent will work more closely when preparing the Annual Financial Report (AFR) to eliminate the errors in the future.

Anticipated Completion Date: August 2024



Southeast Dubois School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Child Nutrition Cluster -Procurement and Suspension and Debarment

Summary of Finding:

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance with Procurement, Suspension and Debarment.

The School Corporation entered into more than \$50,000 of like/kind transactions with a single vendor during FY2022 and FY2023 without entering into a contract or properly verifying that the vendor was not suspended or debarred.

Contact Person Responsible for Corrective Action: Tracy Troesch

Contact Phone Number and Email Address: 812-817-0900; tracy.troesch@sedubois.k12.in.us

Views of Responsible Officials: *We concur with the finding.*

Description of Corrective Action Plan:

The Business Manager will review the vendors related to covered transactions and determine if like/kind transactions with any vendor are approaching or are expected to exceed \$50,000. For vendors that meet the criteria of requiring a contract, the Business manager will obtain a contract, which will be reviewed and approved by the school board. The Business Manager will upload the purchase order and quote or other documentation of any purchase over \$50,000 on Indiana Gateway for Government Units (Gateway) after board approval.

Southeast Dubois County School Corporation followed the corrective action that was issued during the prior audit for Suspension and Debarment. During the current audit, the State Board of Accounts indicated that the corrective action and steps that were taken to verify compliance that the School Corporation was instructed to do were not adequate. Going forward, the Business Manager will run monthly vendor reports to determine if any vendors are close to the \$25,000 to get a Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion form from the IN Department of Education needs to be issued to a vendor. If a vendor is close to the \$25,000 mark, the Business Manager will send the Certification to be returned prior to future payment.

Anticipated Completion Date: September 2024



Southeast Dubois School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: COVID-19 Education Stabilization Fund - Equipment and Real Property Management

Summary of Finding:

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not include two capitalized expenditures in the amounts of \$70,000 and \$26,440 related to the replacement of rooftop air conditioning units. Additionally, the capital asset listing provided did not identify which assets were purchased with federal dollars nor did the assets have an assigned serial number or other identification number.

Contact Person Responsible for Corrective Action: Tracy Troesch

Contact Phone Number and Email Address: 812-817-0900; tracy.troesch@sedubois.k12.in.us

Views of Responsible Officials: *We concur with the finding.*

Description of Corrective Action Plan:

The Business Manager has added the two assets referenced above to the asset records. Additionally, the Business Manager has reviewed the capital asset records and noted all capital assets that were purchased with federal funds. The School Corporation will determine a way to assign identification numbers to the assets listed on the record.

Anticipated Completion Date: September 2024

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/>.