

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

PIKE COUNTY SCHOOL CORPORATION

PIKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chelsea Yon	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Suzanne Blake	07-01-21 to 06-30-24
President of the School Board	Steve Potter Christopher D. McKinney	07-01-21 to 12-31-23 01-01-24 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 PIKE COUNTY SCHOOL CORPORATION, PIKE 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 Pike 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 12, 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.

Pike 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 12, 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 PIKE COUNTY SCHOOL CORPORATION, PIKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Pike 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 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.

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 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 2023-002 for Special Tests and Provisions - Wage Rate Requirements. Compliance with such requirements 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 items 2023-003 and 2023-004. 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, 2023-003, and 2023-004, 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, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 12, 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 12, 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.

PIKE 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			FY 2021-2022	\$ 208,232	\$ -
School Breakfast Program			FY 2022-2023	-	228,873
Total - School Breakfast Program				<u>208,232</u>	<u>228,873</u>
National School Lunch Program					
National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			FY 2021-2022	671,248	-
National School Lunch Program			FY 2022-2023	-	697,652
Commodities			FY 2021-2022, FY 2022-2023	128,978	71,873
Supply Chain Assistance (SCA Funds)			FY 2022-2023	-	85,337
Total - National School Lunch Program				<u>800,226</u>	<u>854,862</u>
Total - Child Nutrition Cluster				<u>1,008,458</u>	<u>1,083,735</u>
Child Nutrition Discretionary Grants Limited Availability					
Nutritional Grant-Federal	Indiana Department of Education	10.579			
			FY 2021-2022	8,181	-
Pandemic EBT Administrative Costs					
P-EBT Admin Funds	Indiana Department of Education	10.649			
			FY 2021-2023	614	628
Total - Department of Agriculture				<u>1,017,253</u>	<u>1,084,363</u>
<u>Federal Communications Commission</u>					
Emergency Connectivity Fund Program					
Emergency Connectivity Fund (ARP)	Direct Grant	32.009			
			FY 2022-2023	-	943
Total - Federal Communications Commission				<u>-</u>	<u>943</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
FY 2020 Part B IDEA	Indiana Department of Education	84.027	20611-009-PN01	8,538	-
FY 2021 Part B IDEA			21611-009-PN01	262,848	-
FY 2022 Part B IDEA			22611-009-PN01	-	231,042
FY 2023 Part B IDEA			23611-009-PN01	-	236,150
FY 2022 Part B 611 IDEA			22611-009-PN01	237,025	-
Subtotal - Special Education Grants to States				<u>508,411</u>	<u>467,192</u>
COVID-19 - Special Education Grants to States					
FY 2022 Part B ARP	Indiana Department of Education	84.027X			
			22611-009-ARP	27,697	53,554
Total - Special Education Grants to States				<u>536,108</u>	<u>520,746</u>
Special Education Preschool Grants					
FY 2021 Part B 619 Preschool	Indiana Department of Education	84.173	21619-009-PN01	4,351	-
FY 2022 Part B 619 Preschool			22619-009-PN01	24,013	-
FY 2022 Part B 619 Preschool			22619-009-PN01	-	2,796
FY 2023 Part B 619 Preschool			23619-009-PN01	-	22,384
Subtotal - Special Education Preschool Grants				<u>28,364</u>	<u>25,180</u>

PIKE 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
COVID-19 - Special Education Preschool Grants FY 2022 Part B Preschool ARP	Indiana Department of Education	84.173X	22619-009-ARP	783	5,432
Total - Special Education Preschool Grants				<u>29,147</u>	<u>30,612</u>
Total - Special Education Cluster (IDEA)				<u>565,255</u>	<u>551,358</u>
Title I Grants to Local Educational Agencies Title I 20/21 Title I 21/22 Title I 22/23	Indiana Department of Education	84.010	S010A200014 S010A210014 S010A210014	95,392 144,020 -	- 88,733 154,156
Total - Title I Grants to Local Educational Agencies				<u>239,412</u>	<u>242,889</u>
Supporting Effective Instruction State Grants Title II Part A 19/20 Title II Part A 20/21 Title II Part A 21/22	Indiana Department of Education	84.367	S367A190013 S367A200013 S367A210013	27,889 40,839 -	- 9,674 30,001
Total - Supporting Effective Instruction State Grants				<u>68,728</u>	<u>39,675</u>
Student Support and Academic Enrichment Program Student Support Title IV Student Support Title IV	Indiana Department of Education	84.424	S424A210015 S424A220015	5,525 -	- 8,272
Total - Student Support and Academic Enrichment Program				<u>5,525</u>	<u>8,272</u>
COVID-19 - Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund Elementary and Secondary School Emergency Relief Fund Elementary and Secondary School Emergency Relief Fund Elementary and Secondary School Emergency Relief Fund American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER) American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER)	Indiana Department of Education	84.425 84.425D 84.425D 84.425D 84.425D 84.425U 84.425U	S425D200013 S425D200013 S425D210013 S425D210013 S425U210013 S425U210013	63,837 - 737,473 - 744,897 -	- 8,269 - 71,563 - 1,042,832
Total - COVID-19 - Education Stabilization Fund				<u>1,546,207</u>	<u>1,122,664</u>
Total - Department of Education				<u>2,425,127</u>	<u>1,964,858</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster Medical Assistance Program Medicaid - MAC Medicaid - IEP	Indiana Department of Education Indiana Family and Social Services Administration	93.778 93.778	FY 2021-2023 FY 2021-2023	40,114 50,248	32,989 47,230
Total - Medical Assistance Program				<u>90,362</u>	<u>80,219</u>
Total - Medicaid Cluster				<u>90,362</u>	<u>80,219</u>
Total - Department of Health and Human Services				<u>90,362</u>	<u>80,219</u>
Total federal awards expended				<u>\$ 3,532,742</u>	<u>\$ 3,130,383</u>

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

PIKE 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. 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.

PIKE COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

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

Auditee qualified as low-risk auditee?	no
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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 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 in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, were not effective.

PIKE 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:

Curricular Material Rental Fund

The beginning cash and investments balance, receipts and disbursements for the Textbook Rental Extra-Curricular Activities funds of each school were not reported on the financial statement. This resulted in the following errors:

- Cash and Investments beginning balance at July 1, 2021, was understated by \$328,862.
- Receipts for fiscal year 2021-2022 were understated by \$112,158.
- Disbursements for 2021-2022 were understated by \$157,611.
- Cash and Investments ending balance at June 30, 2022, was understated by \$283,409.
- Receipts for 2022-2023 were understated by \$144,626.
- Disbursements for 2022-2023 were understated by \$398,447.
- Cash and Investments ending balance at June 30, 2023, was understated by \$29,588.

Retirement/Severance Bond Debt Service Fund

The Retirement/Severance Bond Debt Service fund was omitted from the financial statement. As a result, the beginning cash and investments balance at July 1, 2021, was understated by \$24,280, and the Other Financing Uses for 2021-2022 was understated by \$24,280.

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

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

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. . . .

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 as 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: COVID-19 - Education Stabilization Fund – Special Tests
and Provisions - Wage Rate Requirements

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

The School Corporation had not designed or implemented a system of internal controls, which would include appropriate segregation of duties, to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

Three construction contracts, with expenditures totaling \$1,138,605, were paid from the COVID-19 - Education Stabilization Fund grant award during the audit period. All three contracts were tested. None of the contracts included the required prevailing wage rate clause. Additionally, only one of the three contractors provided certified weekly payrolls to the School Corporation.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

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

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. 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.

PIKE 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 non-compliance. As a result, construction contracts entered into did not contain the required wage rate requirements clauses nor were all certified payrolls obtained by the School Corporation.

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 the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

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: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, to ensure that the equipment and real property records contained all the required information.

A property record or capital asset listing which would include 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, and use and condition of the property is to be maintained for assets purchased that exceed the School Corporation's capitalization threshold.

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

The School Corporation maintained and presented the equipment and real property records for the COVID-19 - Education Stabilization Fund grant equipment; however, the records failed to include a serial number or other identification number, the source of funding for the property (including the federal award identification number), percentage of federal participation in the project costs for the federal award under which the property was acquired, the use, and condition of the property.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) 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, and 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.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep property in good condition. . . ."

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.

PIKE 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 non-compliance. As a result, the capital asset listing did not include all the required information.

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.

Views of Responsible Officials

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

FINDING 2023-004

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
Assistance Listings Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 21611-009-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation is a member of the Exceptional Children's Co-op (Cooperative). During fiscal year 2021-2022, the Cooperative operated the special education programs and spent the federal money on behalf of all its member schools. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school corporation, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. There was inadequate oversight performed by the School Corporation in order to ensure the required nonpublic proportionate share was met.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditure for nonpublic school students with disabilities was met for each member school corporation. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

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

The Non-Public Proportionate Share expenditures for the 21611-009-PN01 grant award could not be verified for the individual member school corporations. Total grant expenditures were posted as expended. The Non-Public Proportionate Share expenditures were determined by applying a percentage to the nonpublic school budgeted expenditures. These were the amounts reported to the IDOE. As such, we were unable to identify if the minimum amount per grant award was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance was isolated to 2021-2022 for the 21611-009-PN01 grant award.

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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(g) Be adequately documented. . . ."

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed, . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

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.

PIKE 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 such, Non-Public Proportionate Share expenditures per member school could not be determined.

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 Non-Public Proportionate Share funds are appropriately allocated to the member school based on expenses charged directly on behalf of the member school. Supporting documentation for these expenses should be retained for audit.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENT

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



Pike County School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding: The School Corporation had not established effective internal controls over the financial information entered in Gateway financial reporting system regarding Textbook Rental and Retirement/Severance Bond Debt Service funds.

Contact Person Responsible for Corrective Action Plan: Chelsea Yon
Contact Phone Number and email Address: cyon@pcsc.k12.in.us, 812-354-8731

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action:

The expenditures will not be processed at the ECA level and will be processed through the Corporation. The receipts and disbursements will now follow our normal internal control procedures with segregation of duties.

The Retirement/Severance Bond Debt Service was marked inactive and proper procedures of making sure all active and inactive accounts are included will take place in the future.

Anticipated Completion Date:

Curricular Materials July 2023. The Retirement/Severance Bond Debt Service fund was made dormant and transferred July 2021.



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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: COVID-19 Education Stabilization Fund-Special Tests and Provisions-Wage Rate Requirement

Summary of Finding:

There was no internal control procedure to ensure that construction contracts paid from federal grant funds included a prevailing wage rate clause. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

Contact Person Responsible for Corrective Action: Chelsea Yon

Contact Phone Number and Email Address: 812-354-8731 cyon@pcsc.k12.in.us

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

The School Corporation will ensure when spending federal grant funds on contracted projects that a prevailing wage clause is included in the contract. The internal control policy will include that the Superintendent and Assistant Superintendent will verify the contract has the prevailing wage clause and that the contractor is submitting certified payrolls each week in which contract work is performed.

Anticipated Completion Date:

The amended contract has been approved with the vendor and funds will be spent by June 2024. Certified payrolls were requested March 5, 2024.



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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:

There was no internal control procedure to ensure that a capital asset purchased with Federal money was listed in the asset ledger with the serial number or other identification number, the source of funding for the property (including the federal award identification number), percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and use and condition of the property.

Contact Person Responsible for Corrective Action: Chelsea Yon

Contact Phone Number and Email Address: 812-354-8731 cyon@pcsc.k12.in.us

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

The Corporation Treasurer or the Accounts Payable processor will make copies of any invoices over \$5,000 and place them in a folder for addition to the asset listing. Those copies will also include what fund the item was paid from to properly note that Federal money was spent on that purchase. When Adtec performs the physical inventory and presents the listing, the Treasurer will verify that all items and necessary information have been included.

Anticipated Completion Date:

This is anticipated in being added to the asset ledger in August 2024.



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CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Summary of Finding: The School Corporation had not properly designed or implemented internal controls over Earmarking to ensure non-public school expenditures were appropriately identified and reported.

Contact Person Responsible for Corrective Action Plan: Sara Harpenau

Contact Phone Number and email Address: harpenaus@dspcoop.org, 812 482-6661

Views of Responsible Officials: We agree with the finding.

Description of Corrective Action:

The Finance Manager of the Exceptional Children's Co-op has developed an Excel spreadsheet and workbook for each of the employees who are providing services to homeschooled children and the private school special education children. This spreadsheet enables them to document the children to whom they provide services, the dates of the services, the purpose of the encounter, and the duration of the visit. Each employee has a calculated goal of the time that is required of them throughout the school year to provide these services.

Anticipated Completion Date:

This method was implemented in the 2022/2023 school year and will continue with each school year as needed.

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/>.