

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

COMMUNITY SCHOOLS OF FRANKFORT

CLINTON COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/21/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leslie L. Michael Paul Gabriel (interim) Scott Weltz	07-01-21 to 01-01-23 01-02-23 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Joel McKinney Dr. Matthew Rhoda	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Sandra L. Miller	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 COMMUNITY SCHOOLS OF FRANKFORT, CLINTON 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 Community Schools of Frankfort (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 4, 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.

Community Schools of Frankfort'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 4, 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 COMMUNITY SCHOOLS OF FRANKFORT, CLINTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Community Schools of Frankfort'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 Each of the Other Major Federal Programs

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

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 2023-004 and 2023-006. 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, 2023-004, 2023-005, and 2023-006, 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 4, 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 4, 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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COMMUNITY SCHOOLS OF FRANKFORT
 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	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Department of Agriculture							
Child Nutrition Cluster							
SCHOOL BREAKFAST PROGRAM	INDIANA DEPARTMENT OF EDUCATION	10.553	2021-2022	\$ -	\$ 520,601	\$ -	\$ -
SCHOOL BREAKFAST PROGRAM			2022-2023	-	-	-	528,679
SCHOOL BREAKFAST PROGRAM							
Total - SCHOOL BREAKFAST PROGRAM				-	520,601	-	528,679
NATIONAL SCHOOL LUNCH PROGRAM							
SCHOOL LUNCH	INDIANA DEPARTMENT OF EDUCATION	10.555	2021-2022	-	1,989,807	-	-
SCHOOL LUNCH COMMODITIES			2021-2022	-	196,085	-	-
SCHOOL LUNCH			2021-2022	-	-	-	1,833,247
COMMODITIES			2022-2023	-	-	-	83,625
SUPPLY CHAIN ASSISTANCE			2022-2023	-	-	-	153,521
Total - NATIONAL SCHOOL LUNCH PROGRAM				-	2,185,892	-	2,070,393
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN							
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	INDIANA DEPARTMENT OF EDUCATION	10.559	2021-2022	-	31,121	-	-
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN			2022-2023	-	-	-	36,851
Total - SUMMER FOOD SERVICE PROGRAM FOR CHILDREN				-	31,121	-	36,851
Total - Child Nutrition Cluster				-	2,737,614	-	2,635,923
Total - Department of Agriculture				-	2,737,614	-	2,635,923
Department of Education							
Special Education Cluster (IDEA)							
SPECIAL EDUCATION GRANTS TO STATES	INDIANA DEPARTMENT OF EDUCATION	84.027					
SPECIAL ED PART B FY 2019			19611-004-PN01	-	9,493	-	-
SPECIAL ED PART B FY 2020 611			20611-004-PN01	-	5,515	-	-
SPECIAL ED PART B FY 2021 611			21611-004-PN01	-	235,378	-	30,873
SPECIAL ED PART B 611 FY 2022			22611-004-PN01	-	416,642	-	-
SPECIAL ED PART B 611 FY 2022			22611-004-PN01	-	-	-	329,558
SPECIAL ED PART B FY 2023			23611-004-PN01	-	-	-	341,790
Subtotal - SPECIAL EDUCATION GRANTS TO STATES					-	667,028	-
COVID-19 - SPECIAL EDUCATION GRANTS TO STATES							
SPECIAL ED PART B FY 2023	INDIANA DEPARTMENT OF EDUCATION	84.027X	23611-004-PN01	-	-	-	74,774
Total - SPECIAL EDUCATION GRANTS TO STATES				-	667,028	-	776,995

COMMUNITY SCHOOLS OF FRANKFORT
 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	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
SPECIAL EDUCATION PRESCHOOL GRANTS	INDIANA DEPARTMENT OF EDUCATION	84.173					
SPECIAL ED PRESCHOOL			19619-004-PN01	-	1,060	-	-
SPECIAL ED PRESCHOOL			20619-004-PN01	-	5,548	-	-
SPECIAL ED PRESCHOOL			21619-004-PN01	-	21,738	-	-
SPECIAL ED PRESCHOOL			22619-004-PN01	-	-	-	29,951
Total - SPECIAL EDUCATION PRESCHOOL GRANTS				-	28,346	-	29,951
Total - Special Education Cluster (IDEA)				-	695,374	-	806,946
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	INDIANA DEPARTMENT OF EDUCATION	84.010					
TITLE I			S010A200014	-	211,290	-	-
TITLE I			S010A210014	-	432,132	-	426,327
TITLE I			S010A220014	-	-	-	343,338
Total - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES				-	643,422	-	769,665
CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	INDIANA GOVERNOR'S WORKFORCE CABINET	84.048					
PERKINS			20-0512-1170	-	79,968	-	-
PERKINS ASSESSMENT GRANT 2020-2021			21-0512-A019	-	3,350	-	-
PERKINS COVID 19 GRANT			21-0512-C019	-	21,839	-	-
PERKINS RESERVE GRANT 2021-2022			22-0512-R019	-	-	-	98,803
PERKINS			22-0512-B019	-	30,746	-	78,662
PERKINS FY23			23-0512-PO19	-	-	-	48,996
Total - CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES				-	135,903	-	226,461
RURAL EDUCATION	INDIANA DEPARTMENT OF EDUCATION	84.358					
RURAL AND LOW INCOME			S358B200014	-	70,740	-	-
Total - RURAL EDUCATION				-	70,740	-	-
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	INDIANA DEPARTMENT OF EDUCATION	84.365					
TITLE III			S365A190014	-	6,806	-	-
TITLE III			S365A200013	-	18,240	-	28,685
TITLE III			S365A210014	-	26,581	-	35,745
TITLE III			S365A220014	-	-	-	18,355
Total - ENGLISH LANGUAGE ACQUISITION STATE GRANTS				-	51,627	-	82,785
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	INDIANA DEPARTMENT OF EDUCATION	84.367					
TITLE II			S367A180013	-	17,405	-	-
TITLE II			S367A200013	-	76,542	-	32,228
TITLE II			S367A210013	-	24,226	-	69,481
TITLE II			S367A220013	-	-	-	27,371
Total - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS				-	118,173	-	129,080

COMMUNITY SCHOOLS OF FRANKFORT
 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	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	INDIANA DEPARTMENT OF EDUCATION	84.424					
TITLE IV FY 2020			S424A200013	-	34,624	-	-
TITLE IV FY 2019			S424A190015	-	22,584	-	-
TITLE IV FY 2021			S424A210015	-	10,395	-	24,792
TITLE IV FY 2022			S424A220015	-	-	-	43,267
Total - STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM				-	67,603	-	68,059
COVID-19 - EDUCATION STABILIZATION FUND	INDIANA DEPARTMENT OF EDUCATION	84.425					
CARES ACT FY 2020 EDUCATION STABILIZATION RELIEF		84.425D	S425D200013	-	71,199	-	22,794
ESSER II		84.425D	S425D210013	-	1,167,451	-	728,376
ESSER III		84.425U	S425U210013	-	1,397,190	-	1,749,475
Total - COVID-19 - EDUCATION STABILIZATION FUND				-	2,635,840	-	2,500,645
Total - Department of Education				-	4,418,682	-	4,583,641
<u>Department of Health and Human Services</u>							
CCDF Cluster							
CHILD CARE AND DEVELOPMENT BLOCK GRANT	Direct Grant	93.575					
CHILD CARE DEV. BLOCK II - BLUE RIDGE			OECOSL	-	-	-	85,482
CHILD CARE DEV. BLOCK II - SUNCRST			OECOSL	-	-	-	96,302
Total - CHILD CARE AND DEVELOPMENT BLOCK GRANT				-	-	-	181,784
Total - CCDF Cluster				-	-	-	181,784
Medicaid Cluster							
MEDICAL ASSISTANCE PROGRAM	Indiana Family and Social Services Administration	93.778					
IIEP SERVICES			FY2022	-	161,879	-	-
MEDICAL ASSISTANCE PROGRAM	INDIANA DEPARTMENT OF EDUCATION	93.778					
INDIANA MAC REIMB PROGRAM			FY2023	-	-	-	114,302
Total - MEDICAL ASSISTANCE PROGRAM				-	161,879	-	114,302
Total - Medicaid Cluster				-	161,879	-	114,302
Total - Department of Health and Human Services				-	161,879	-	296,086
Total federal awards expended				\$ -	\$ 7,318,175	\$ -	\$ 7,515,650

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

COMMUNITY SCHOOLS OF FRANKFORT
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.

COMMUNITY SCHOOLS OF FRANKFORT
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
84.010	Child Nutrition Cluster	Unmodified
84.425	Title I Grants to Local Educational Agencies	Unmodified
	COVID-19 - Education Stabilization Fund	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: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

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.

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although in fiscal year 2021-2022, the Treasurer and the Deputy Treasurer prepared, entered, and reviewed the federal award information entered into Gateway, and, in 2022-2023, the Treasurer and an outside consultant prepared, entered, and reviewed the federal award information entered into Gateway, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

- The National School Lunch Program expenditures were overstated by \$743,877, and the School Breakfast Program expenditures were understated by \$528,679 for 2022-2023 due in part to all expenditures for the School Breakfast Program being reported in the National School Lunch Program.
- Four grants had individually immaterial errors that resulted in misstatements of expenditures of \$185,127, in total, for 2021-2022. Ten grants had individually immaterial errors that resulted in misstatements of expenditures of \$346,788, in total, for 2022-2023.
- Other errors included incorrect program names and identifying numbers.

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

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](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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:

COMMUNITY SCHOOLS OF FRANKFORT
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(Continued)

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

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

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

Cause

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

Effect

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

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 - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.42U

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, Modified Opinion

Condition and Context

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. 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.

COMMUNITY SCHOOLS OF FRANKFORT
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(Continued)

The School Corporation paid for equipment totaling \$842,161 with its COVID-19 - Education Stabilization Fund grant award; however, only equipment with a cost of \$215,720 could be identified in the asset listing provided.

In addition, the School Corporation capital asset records were incomplete and did not include all the required information. The asset listing did not always include the 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.

Finally, the School Corporation did not complete a capital asset inventory every two years as required.

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 the property in good condition. . . ."

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, asset records were incomplete, and a physical inventory was not taken.

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 an inventory is taken every two years.

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 - Reporting

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: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-004.

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

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. The School Corporation was required to submit an annual data report to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period, the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports; however, a single employee prepared and submitted the reports without a review or oversight process in place to prevent, or detect and correct, errors.

The lack of internal controls was a systemic issue 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). . . ."

Cause

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

A cash reimbursement is provided to the School Corporation based on meals served under the School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children. The cash reimbursement is to be used for the benefit of the food service program.

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. There was no documented internal control in place over payroll claims to ensure that payroll charged to the grant was reviewed and approved by an individual knowledgeable about the cost principles.

In addition, pay rates could not be tied directly to the salary ordinance for 4 of the 40 payroll payments tested. Timecards were provided which substantiated the hours worked; however, the hourly rate at which the employees were paid could not be tied to the salary ordinance or other internal records provided. The hourly rates paid to these four employees did not differ significantly from the rates documented in the salary ordinances.

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). . . ."

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(1)

(i) Maintain a nonprofit school food service;

(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 225.15(a)(1) states: "Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

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:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, payroll disbursements identified above could not be tied to an approved salary.

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 design and implement a proper system of internal controls, including policies and procedures that would ensure that employees charged to the grant are paid the approved rate of pay.

Views of Responsible Officials

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

FINDING 2023-005

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions - Non-Profit School Food Service Accounts

Audit Finding: Material Weakness

Condition and Context

The School Corporation had not established effective internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance.

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Eligibility

The Data Collection Specialist entered direct certifications into the School Corporation's software system. A student that was direct certified was coded in the software system as an import. The Food Service Director then viewed the direct certification listing monthly. However, there was no evidence that the Food Service Director's review took place, nor was there a review or oversight process in place to ensure that direct certifications were properly uploaded into the system or that that the software system accurately recording the direct certification students.

Reporting

During the 2021-2022 school year, the School Corporation operated under the Seamless Summer Option (SSO), which allowed all students to receive free meals. Therefore, the cafeteria cashiers at each school manually recorded meals served on the meal count forms provided and prescribed by the Indiana Department of Education. The Food Service Director used the meal count forms to compile and submit the monthly claim for reimbursement without an oversight or review process in place to detect and correct errors.

During the 2022-2023 school year, the School Corporation did not operate under SSO and thus resumed the use of their software, Café Enterprise. Café Enterprise, generated meal count reports by type (i.e., free, reduced, paid, etc.) at each school. The Food Service Director used the meal count reports to compile and submit the monthly claim for reimbursement without an oversight or review process in place to detect and correct errors.

Special Tests and Provisions - Non-Profit School Food Service Accounts

A receipt was prepared and recorded in the school food service account when reimbursement was received for meals served. On a monthly basis, the Deputy Treasurer generated a Fund Report and Revenue History Report and provided it to the Food Service Director. The Food Service Director prepared and utilized a monthly spreadsheet to reconcile the Food Service accounts to the corporation account. While appropriate financial records were prepared and exchanged, there was no documented oversight, review, or approval process in place to ensure the separate accounting took place, that reimbursements were correctly credited to the school food sever account and that transfers out of the food service account were for allowable costs of the food service.

The lack of internal controls was a systemic issue 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). . . ."

COMMUNITY SCHOOLS OF FRANKFORT
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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

Views of Responsible Officials

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

FINDING 2023-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance should be designed and implemented to ensure expenditures charged to the food service program fund (fund 800) are in adherence with the federal and state procurement regulations and requirements. In addition, an effective system of internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance should be designed and implemented to ensure covered transactions paid with child nutrition award funds are neither suspended or debarred or otherwise excluded from participating in federal awards.

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement - Internal Control over Small Purchases

The School Corporation had not designed or implemented adequate policies or procedures to ensure that proper procurement procedures for small purchases were adhered to. There was no documented oversight, review, or approval process in place at the School Corporation to ensure proper procedures were followed and price or rate quotations were obtained, or documentation to support limited procurement procedures were conducted and maintained for small purchases.

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 procedures had not been performed to ensure vendors were not suspended or debarred prior to entering into covered transaction. One covered transaction that equaled or exceeded \$25,000 was identified. The one transaction, totaling \$40,325, was selected for testing. For the one covered transaction, the School Corporation had not performed procedures to ensure the vendor was not suspended or debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities for suspension or debarment.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to fiscal year 2021-2022.

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 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:

COMMUNITY SCHOOLS OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

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.

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, 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 or 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 design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place and that contractors are not suspended, debarred, or otherwise excluded prior to entering into any covered transactions.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



Pillars of Excellence: Community, Literacy, and Post-Secondary Expectations

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2019

Current Audit Period: 2023

Dr. Matt Rhoda
Superintendent

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards
Summary of Finding: Material Weakness, Noncompliance

Scott Weltz
Assistant
Superintendent

This was a repeat finding from the immediately prior audit report, finding number 2019-001. The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

Eric Farley
Chief Academic
Officer

The recommendation was for the Director of Finance shall submit the Annual Financial report after the Deputy Treasurer compiles the information and reviewed by the Superintendent or his designee.

Sandy Miller
President

Status of Audit Finding: Not Corrected

Karen Sutton
Vice President

Response Comments:

The corrective action plan was followed for the submission of the 2022 AFR. The corrective action plan was not followed for the submission of the 2023 AFR due to high position turnover. Moving forward, the School Corporation will adhere to the recommendation.

James McQuade
Secretary

Mandi Mitchell
Board Member

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2023

Kristen Beardsley
Board Member

Finding Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Reporting
Summary of Finding: Material Weakness, Modified Opinion

Bob Marcum
Board Member

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

Joel Tatum
Board Member

The reimbursement procedure was modified to be in arrears of the request, completed twice/month.

Response Comments: N/A

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2023

Finding Subject: Title I Grants to Local Educational Agencies - Matching, Level of Effort, Earmarking

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Summary of Finding: Material Weakness, Other Matters

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

A system of internal controls was implemented to ensure compliance with the grant agreement.

Response Comments: N/A

FINDING 2021-004

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2023

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

Summary of Finding: Material Weakness, Modified Opinion

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation had not established procedures to ensure the amounts reported on the Elementary and Secondary School Emergency Relief (ESSER) Data Report (Report) agreed to the School Corporation's records.

It was recommended that the School Corporation's management establish a system of internal control to ensure compliance and to comply with the grant agreement and the Reporting compliance requirement.

Status of Audit Finding: Not Corrected

Internal controls were not implemented due to high turnover.

Response Comments: N/A

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2019

Current Audit Period: 2023

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

Summary of Finding: Material Weakness, Noncompliance

Due to unforeseen circumstances of employee turnover in the 2020 school year the AFR was reviewed by the Deputy Treasurer and submitted by the Director of Finance. The SEFA is included with submission of the AFR. The 2021 AFR was completed and submitted by the Director of Finance and was not reviewed by the new Deputy Treasurer or the Assistant Superintendent.

CSF has a plan in place moving forward that will put the responsibility of compiling the information for the report onto the Deputy Treasurer, to be reviewed and submitted by the Director of Finance after review by the Assistant Superintendent or their designee. During fiscal year end we will review the progress each week during our weekly meetings, making sure the report is submitted before the deadline with no errors.

Status of Audit Finding: Not Corrected

Response Comments: The corrective action plan was followed for the submission of the 2022 AFR. The corrective action plan was not followed for the submission of the 2023 AFR due to high position turnover. Moving forward, the School Corporation will adhere to the recommendation



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CORRECTIVE ACTION PLAN

FINDING 2023-001

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

Dr. Matt Rhoda
Superintendent

Summary of Finding:
Internal controls were not in place for the completion of the SEFA which led to errors in the accuracy of the SEFA.

Scott Weltz
Assistant
Superintendent

Contact Person Responsible for Corrective Action: Scott Weltz

Eric Farley
Chief Academic
Officer

Contact Phone Number and Email Address: 765-654-5585, weltzs@frankfort.k12.in.us_

Views of Responsible Officials: We concur with the finding.

Sandy Miller
President

Description of Corrective Action Plan:
The Treasurer shall submit the SEFA report after the Deputy Treasurer compiles the information and it is reviewed by the Superintendent or his designee. Such measures will prevent future misstatements of expenditures and provide the proper internal controls.

Karen Sutton
Vice President

Anticipated Completion Date: Effective immediately and ongoing

James McQuade
Secretary

FINDING 2023-002

Mandi Mitchell
Board Member

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

Kristen Beardsley
Board Member

Summary of Finding:
Internal controls were not in place to ensure compliance with requirements related to the Equipment and Real Property Management requirement.

Bob Marcum
Board Member

Contact Person Responsible for Corrective Action: Scott Weltz, Michelle Wolfe

Joel Tatum
Board Member

Contact Phone Number and Email Address: 765-654-5585, weltzs@frankfort.k12.in.us, wolfem@frankfort.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:
Internal controls will be established and followed to ensure compliance with requirements related to the grant agreement. This will ensure that an asset inventory is completed for the school corporation

Anticipated Completion Date: Effective immediately and ongoing

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FINDING 2023-003

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

Summary of Finding:

Internal controls were not in place to ensure compliance with requirements related to reporting.

Contact Person Responsible for Corrective Action: Scott Wetz, Michelle Wolfe

Contact Phone Number and Email Address: 765-654-5585, wetz@frankfort.k12.in.us, wolfem@frankfort.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The Director shall submit the report after the Treasurer reviews and verifies the information in the report. Such measures will prevent future misstatements and provide the proper internal controls.

Anticipated Completion Date: Effective immediately and ongoing

FINDING 2023-004

Finding Subject: Child Nutrition Cluster – Allowable Activities & Allowable Costs / Cost Principals

Summary of Finding:

Internal controls were not in place to ensure compliance with requirements related to the grant agreement, specifically the requirement: Allowable Activities & Allowable Costs / Cost Principals.

Contact Person Responsible for Corrective Action: Scott Wetz, Amanda Brackett

Contact Phone Number and Email Address: 765-654-5585, wetz@frankfort.k12.in.us, bracketa@frankfort.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

Internal controls will be established and followed to ensure compliance with requirements related to the grant agreement. The Deputy Treasurer or designee will provide payroll distribution reports to the Director for review of payroll claims against the grant.

Anticipated Completion Date: Effective immediately and ongoing



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FINDING 2023-005

Finding Subject: Child Nutrition Cluster – Reporting; Special Tests and Provisions, Eligibility

Summary of Finding:

Internal controls were not in place to ensure compliance with requirements related to the grant agreement, specifically related to reporting and eligibility.

Dr. Matt Rhoda
Superintendent

Contact Person Responsible for Corrective Action: Scott Weltz, Amanda Brackett

Scott Weltz
Assistant
Superintendent

Contact Phone Number and Email Address: 765-654-5585, weltzs@frankfort.k12.in.us, bracketa@frankfort.k12.in.us

Eric Farley
Chief Academic
Officer

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

Internal controls will be established and followed to ensure compliance with requirements related to the grant agreement. The Director shall submit the report after the Treasurer reviews and verifies the information in the report. Such measures will prevent future misstatements and provide the proper internal controls.

Sandy Miller
President

Karen Sutton
Vice President

Anticipated Completion Date: Effective immediately and ongoing

James McQuade
Secretary

FINDING 2023-006

Finding Subject: Child Nutrition Cluster – Procurement, Suspension, and Debarment

Summary of Finding:

Internal controls were not in place to ensure compliance with requirements related to the grant agreement, specifically regarding procurement, suspension, and debarment.

Kristen Beardsley
Board Member

Contact Person Responsible for Corrective Action: Scott Weltz, Amanda Brackett

Bob Marcum
Board Member

Contact Phone Number and Email Address: 765-654-5585, weltzs@frankfort.k12.in.us, bracketa@frankfort.k12.in.us

Joel Tatum
Board Member

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

Internal controls will be established and followed to ensure compliance with requirements related to the grant agreement. The Treasurer will review procurement procedures related to vendors outside of the co-op, both related to the 'small-purchase' threshold as well as verifying if vendors are suspended and/or debarred.

Anticipated Completion Date: Effective immediately and ongoing

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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.