

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WASHINGTON COMMUNITY SCHOOLS, INC.

DAVISS COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Daniel Roach	07-01-21 to 06-30-22
	Kevin Frank	07-01-22 to 06-30-24
President of the School Board	Randy Bouchie	01-01-21 to 12-31-22
	Scott Arthur	01-01-23 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 WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS 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 Washington Community Schools, Inc. (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 February 29, 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.

Washington Community Schools, Inc.'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

February 29, 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 WASHINGTON COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Washington Community Schools, Inc.'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.

Qualified Opinion on Special Education Cluster (IDEA)

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

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)

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.

Matters 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 items 2023-004, 2023-005, and 2023-006 for Equipment and Real Property Management, Reporting, and Special Test and Provision - Wage Rate Requirements, respectively. Compliance with such requirements are necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Special Education Cluster (IDEA) as described in item 2023-003 for Matching, Level of Effort, Earmarking. 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.

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)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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 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 February 29, 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

February 29, 2024

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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.

WASHINGTON COMMUNITY SCHOOLS, INC.
 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			
National School Lunch Program-Breakfast			SY 2021-22	\$ 287,914	\$ -
National School Lunch Program-Breakfast			SY 2022-23	-	435,114
Total - School Breakfast Program				287,914	435,114
National School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555			
School Lunch Program			SY 2021-22	1,091,066	-
National School Lunch Program Commodities			SY 2022-23	-	1,406,421
National School Lunch Program Supply Chain Assistance			SY 2021-22, SY 2022-23	147,646	104,383
			SY 2022-23	-	70,176
Total - National School Lunch Program				1,238,712	1,580,980
Summer Food Service Program for Children					
National School Lunch Program-Summer Feeding	Indiana Department of Education	10.559			
National School Lunch Program-Summer Feeding			SY 2021-22	117,264	-
			SY 2022-23	-	24,949
Total - Summer Food Service Program for Children				117,264	24,949
Total - Child Nutrition Cluster				1,643,890	2,041,043
Pandemic EBT Administrative Costs					
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649			
Pandemic EBT Food Benefits			SY 2021-22	3,063	-
Pandemic EBT Food Benefits			SY 2022-23	-	3,135
Total - Pandemic EBT Administrative Costs				3,063	3,135
Child and Adult Care Food Program					
School Dinner Program	Indiana Department of Education	10.558			
School Dinner Program			SY 2021-22	55,176	-
			SY 2022-23	-	74,861
Total - Child and Adult Care Food Program				55,176	74,861
Total - Department of Agriculture				1,702,129	2,119,039
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Special Ed Part B			21611-007-PN01	422,733	-
Special Ed Part B			22611-007-PN01	365,113	362,037
Special Ed Part B			23611-007-PN01	-	407,103
Subtotal - Special Education Grants to States				787,846	769,140
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X			
Special Education IDEA			22611-007-ARP	-	82,964
Total - Special Education Grants to States				787,846	852,104
Special Education Preschool Grants	Indiana Department of Education	84.173			
Special Education Preschool Grants			22619-007-PN01	22,395	3,083
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173X			
Special Education Preschool Grants			22619-007-ARP	-	11,446
Total - Special Education Preschool Grants				22,395	14,529
Total - Special Education Cluster (IDEA)				810,241	866,633

WASHINGTON COMMUNITY SCHOOLS, INC.
 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Part A			S010A200014	387,403	-
Title I Part A			S010A210014	350,288	327,800
Title I Part A			S010A220014	-	259,809
School Improvement			S377A00120015	66,372	-
Total - Title I Grants to Local Educational Agencies				<u>804,063</u>	<u>587,609</u>
Rural Education	Indiana Department of Education	84.358			
Rural Schools			S358B200014	50,527	3,793
English Language Acquisition State Grants	Indiana Department of Education	84.365			
Title III			S365A190014	4,206	-
Title III			S365A200013	38,525	-
Title III			S365A210014	18,003	22,365
Total - English Language Acquisition State Grants				<u>60,734</u>	<u>22,365</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Title IIA			S367A200013	79,263	-
Title IIA			S367A210013	59,999	60,875
Title II Part A			S367A180013	3,703	-
Total - Supporting Effective Instruction State Grants				<u>142,965</u>	<u>60,875</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV Part A			S424A210015	15,188	31,205
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425			
GEERF		84.425C	S425C200018	33,381	-
Education Stabilization Relief		84.425D	S425D210013	1,950,683	-
CARES		84.425D	S425D200013	145,882	69,246
Education Stabilization Relief		84.425U	S425U210013	1,182,993	1,940,513
Explore, Engage, Experience (3E) Grant		84.425U	S425U210013	-	106,901
Total - COVID-19 - Education Stabilization Fund				<u>3,312,939</u>	<u>2,116,660</u>
Total - Department of Education				<u>5,196,657</u>	<u>3,689,140</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Education	93.778			
Medicaid - MAC			SY 2021-22	28,541	-
Medicaid - MAC			SY 2022-23	-	47,859
Total - Medical Assistance Program				<u>28,541</u>	<u>47,859</u>
Total - Medicaid Cluster				<u>28,541</u>	<u>47,859</u>
Total - Department of Health and Human Services				<u>28,541</u>	<u>47,859</u>
Total federal awards expended				<u>\$ 6,927,327</u>	<u>\$ 5,856,038</u>

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

WASHINGTON COMMUNITY SCHOOLS, INC.
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. Daviess-Martin Special Education Cooperative

The School Corporation is a member of the Daviess-Martin Special Education 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.

WASHINGTON COMMUNITY SCHOOLS, INC.
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
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.425	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.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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 the Treasurer prepared and entered the federal award information into Gateway, and the Assistant Superintendent of Schools and the Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect or allow for correction of errors prior to submission.

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

1. The Child Nutrition Cluster expenditures were overstated by \$222,797.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$252,396.
3. Nine federal grants had individual immaterial errors, which resulted in misstatements of expenditures of \$120,029, in total.
4. Other errors included incorrect program names and identifying numbers.

Audit adjustments were proposed, approved by the School Corporations, 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 . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.1 states in part:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

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.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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:

"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: 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): SY 2021-22, SY 2022-23

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

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

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a nonfederal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

A total of four vendors were identified for procurement that fell within the small purchases range. All four vendors were selected for testing. For three of the four vendors tested, the School Corporation could not provide evidence that price or rate quotes were obtained. In addition, the School Corporation did not obtain a contract for two of three vendors as required by Indiana Code for purchases between \$50,000 and \$150,000. Finally, documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit for these vendors.

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 included an appendix in the contract that a vendor will sign, stating they are not suspended or debarred or the School Corporation will check the SAMs website to ensure that the vendor is not suspended or debarred.

Five covered transactions that equaled or exceeded \$25,000 were identified. All five transactions, totaling \$3,936,236 were selected for testing. For three of the five vendors, the School Corporation had not performed procedures to ensure the vendors, paid a total of \$192,750, were 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 and noncompliance were systemic issues throughout the audit period.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

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

(2) *Small purchases -*

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 180.300 states:

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

- (a) Checking 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 or implemented, which includes segregation of key functions, by management of the School Corporation to ensure that policies and procedures were in place related to procurement and suspension and debarment. 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 non-compliance. 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 and for small purchases an adequate number of quotes were not obtained.

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 establish a proper system of internal controls and develop policies and procedures to ensure there are appropriate procurement procedures for goods and services, and that contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-003

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 21611-007-PN01, 22611-007-PN01,
22619-007-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition and Context

The School Corporation is a member of the Daviess-Martin Special Education Cooperative (Cooperative). During fiscal year 2021-2022 and 2022-2023, 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, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

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 expenditures for nonpublic school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure nonpublic school expenditures were appropriately identified and reported.

The Non-Public Proportionate Share expenditures for the 21611-007-PN01, 22611-007-PN01, and 22619-007-PN01 grant awards could not be verified for the individual member schools. Total grant expenditures were posted as expended. The nonpublic proportionate share expenditures were then determined by applying the budgeted percentage for nonpublic school expenditures to the total expenditures. These were the amounts reported to the IDOE. As such, we were unable to identify if the minimum amount per the grant awards was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance was isolated to the 21611-007-PN01, 22611-007-PN01, and 22619-007-PN01 grant awards.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

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.

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.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 expenditures charged directly on behalf of the member school. Supporting documentation for these expenditures 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.

FINDING 2023-004

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: 84.245D, 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, Modified Opinion

Condition and Context

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

The School Corporation hired a fixed asset consultant to compile a fixed asset report that was to contain all inventory and assets purchased that exceeded the School Corporation's capitalization threshold through June 30, 2023. The consultant prepared the report; however, the School Corporation did not have any policies or procedures in place to ensure that the listing was complete and accurate, nor was there any documentation that differences between the compiled asset report and the School Corporation's equipment records were reviewed and resolved.

The School Corporation utilized COVID-19 - Education Stabilization Fund (ESF) grant award funds to purchase equipment throughout the audit period including, but not limited to, the following: an elementary school remodel, roof replacements, bleachers, playground equipment, and HVACs. As the School Corporation did not keep a listing of equipment purchased with ESF grant award dollars, the ESF budget along with inquiry of the School Corporation officials was used to determine a listing of equipment for the audit period.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

None of the federally purchased equipment or improvements identified by the School Corporation was determined to be included on the capital asset listing prepared by the consultant. In addition, the fixed asset report did not include the source of funding (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 condition of the property, and, if applicable, the disposition data.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d)(1) states:

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

2 CFR 200.313(d)(2) states: "A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, assets purchased with COVID-19 - Education Stabilization Fund dollars, were not properly added to the School Corporation's asset listing. In addition, assets on the listing did not denote whether federal funds were used to acquire the asset, nor were any discrepancies in the records reconciled.

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.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure asset records include all the necessary information and new assets are added.

Views of Responsible Officials

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

FINDING 2023-005

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 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. The School Corporation was required to submit annual data reports 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 key line items such as "Number of Specific Positions Supported with Esser Funds," "Allocation of ESSER funds," "Expenditures per Activity," and "Full-Time Equivalency Positions."

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. There was no evidence of an oversight or review process in place to prevent, or detect and correct, errors.

All six reports were selected for testing. For four of the six annual data reports the report could not be traced to the records, nor could the accuracy and completeness of the reports be verified. The errors identified were as follows:

- The ESSER I, Year 2 report, which covered the period of October 1, 2020 to June 30, 2021, reported total expenses of \$260,064. However, the School Corporation's ledger for the same period had total expenses of \$264,832. Of the reported expenditures, \$219,703 could not be determined to be properly categorized. In addition, the School Corporation was unable to provide supporting documentation for the identified Key Line Items.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- The ESSER I, Year 3 report, which covered the period of July 1, 2021 to June 30, 2022, reported total expenses of \$86,521. However, the School Corporation's ledger for the same period had total expenses of \$78,230. In addition, the School Corporation was unable to provide supporting documentation for the identified Key Line Items.
- The ESSER II, Year 1 and Year 2 reports, which covered the periods of July 1, 2020 to June 30, 2021, and July 1, 2021 to June 30, 2022, respectively, Key Line Items were not able to be traced to supporting documentation. The Expenditures by Subgrant Fund, expenditure category, and object code were supported by the School Corporation's records; however, the School Corporation did not provide supporting documentation for the nonfinancial data required to be submitted with the reports.
- The ESSER III, Year 1 report, which covered the period of July 1, 2020 to June 30, 2021, reported total expenses of \$41,340. However, the School Corporation's ledger for the same period had total expenses of \$20,670. In addition, the School Corporation was unable to provide supporting documentation for the identified Key Line Items.
- The ESSER III, Year 2 report, which covered the period of July 1, 2021 to June 30, 2022, reported total expenses of \$1,407,299, which agreed to the School Corporation's ledger. However, \$644,730 of the reported expenditures could not be determined to be properly categorized. In addition, the School Corporation was unable to provide supporting documentation for the identified Key Line Items.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the reports were not supported by the School Corporation's underlying accounting records.

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 all reports submitted on behalf of the COVID-19 - Education Stabilization Fund program funds are supported by the School Corporation's underlying accounting records.

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: COVID-19 - Education Stabilization Fund - Special
Tests and Provision - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listing Numbers: 84.245D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provision - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

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.

The School Corporation had not designed nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. There were eight contracted vendors paid in excess of \$2,000 utilizing COVID-19 - Education Stabilization Fund grant funds during the audit period for projects that were construction related. Three contracts were selected for testing. None of the contracts selected included the required prevailing wage rate clause. In addition, certified payrolls were not submitted to the School Corporation by any of the contractors.

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.*

WASHINGTON COMMUNITY SCHOOLS, INC.
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.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 certified payrolls obtained by the School Corporation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds 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 to ensure compliance and comply with the grant agreement and the Special Tests and Provision - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2021-2023

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

Summary of Finding:

There were errors on the SEFA

Status of Audit Finding:

Partially Corrected

Response Comments:

While there were still errors on the SEFA, they were not identical errors to the last Audit findings. Errors on this audit were misunderstandings of what needed to be represented on the SEFA report. There were no errors on CFDA numbers which was the main issue during the last audit. Going forward, the Business Manager will implement the additional guidance provided by the SBOA to improve the reporting of the SEFA and we will continue to perform a review of the SEFA to minimize the risk of errors in the SEFA.



Washington Community Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2021-2023

Finding Subject: Child Nutrition Cluster – Program Income

Summary of Finding:

Prepaid funds were not being transferred monthly to the Food Service Fund

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2019

Current Audit Period: 2021-2023

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Summary of Finding:

The Non-Public Proportionate Share expenditures for the grants could not be verified for the individual schools.

Status of Audit Finding:

Not Corrected

Response Comments:

Daviess Martin Special Ed Coop failed to comply with the Corrective Action put forth. The former Superintendent was responsible for oversight and did not inform the current Superintendent of the plan of action. Therefore, no one at Washington Community Schools knew DMSEC wasn't in compliance. To ensure compliance going forward, Washington Community Schools will require the Director of the Daviess Martin Special Ed Cooperative to provide Proportionate Share expenditure data and emphasize the importance of having this information available for SBOA.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-004

Fiscal year in which the finding initially occurred: 2019

Current Audit Period: 2021-2023

Finding Subject: Special Education Cluster (IDEA) - Procurement

Summary of Finding:

Procurement Requirements were not met for all purchases.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented



CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards
Summary of Finding: Errors on the SEFA

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number and Email Address: 8122545536 calford@wcs.k12.in.us

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

Business Manager, Carrie Alford, tries extremely hard to follow the ever changing, often elusive rules of the SEFA and always strives for 100% accuracy.. Human error resulted in 9 immaterial errors, going forward we will continue to strive for 100% accuracy. Again, the IDEA numbers were reported incorrectly from DMSEC. It is impossible for Carrie Alford to know if the numbers we receive from DMSEC are correct as we don't ever see those dollars run through our corporation. DMSEC handles the receipting and disbursing of those funds. WCS will request DMSEC to double and triple check numbers when reporting. Other errors were commodities reporting which were listed for dates outside of the fiscal year. We now know Commodities totals should be reported regardless of the date listed on the disbursement, unlike every other grant reported. Going forward we will report Commodities for the total listed for that Fiscal year on the CNP web Commodities Tab even if the dates are outside of the range for which we are reporting.

Anticipated Completion Date: 08/31/2024



CORRECTIVE ACTION PLAN

FINDING 2023-002

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

Summary of Finding: Procurement procedures not met – Suspension and Debarment not verified

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number and Email Address: 812-254-5536 calford@wcs.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Washington Community Schools was under the impression that since Sodexo was the vendor for the purchases, the contract between Washington Community Schools and Sodexo was sufficient. Going forward, WCS will obtain contracts directly from the retailer even when Sodexo is the vendor in WCS files. If Sodexo makes purchases on behalf of WCS, they will obtain quotes from three retailers. WCS will request and maintain the quotes obtained by Sodexo. WCS will also check for any suspension and debarment for any vendor that Sodexo uses to purchase items for WCS.

Anticipated Completion Date: 02/01/2024



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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Summary of Finding: Proportionate Share Reporting could not be verified

Contact Person Responsible for Corrective Action: Kevin Frank

Contact Phone Number and Email Address: 812-254-5536 kfrank@wcs.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Washington Community Schools will require the Director of the Daviess Martin Special Ed Cooperative to provide Proportionate Share expenditure data and emphasize the importance of having this information available for SBOA. Unfortunately, due to our configuration, WCS doesn't have access to this data and it is up to the Coop to complete the requirements. Mr. Frank will offer training to DMSEC staff to ensure compliance.

Anticipated Completion Date: 02/01/2024



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CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: COVID-19 Education Stabilization Fund – Equipment and Real Property Management
Summary of Finding: Assets missing from Fixed Asset Inventory

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number and Email Address: (812)254-5536 calford@wcs.k12.in.us

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

Washington Community Schools hired a fixed asset company to give a good “starting point” since the Fixed Asset listing hadn’t been properly maintained over the years. WCS officials didn’t know that they missed labeling and recording several recently purchased assets. Expenditure reports will be ran to determine what was missed and those assets will be added to the inventory listing.

Anticipated Completion Date: 06/30/2024



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CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: COVID-19 Education Stabilization Fund - Reporting
Summary of Finding: Reports were not supported by underlying accounting records.

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number and Email Address: (812)254-5536 calford@wcs.k12.in.us

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

Washington Community Schools like all other school corps across the state, got the requests for these reports with very little to no instruction of how to complete them. We weren't told they would be part of the audit and therefore didn't retain reports used to complete some of the reports. Going forward we will ensure reports proving numbers reported are available to SBOA.

Anticipated Completion Date: 06/30/2024



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CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: COVID-19 Education Stabilization Fund – Special Tests and Provisions – Wage Rate
Summary of Finding: Verbiage indicating that the Prevailing Wage Rate wasn't listed in the Contract from Contractor

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number and Email Address: 812-254-5536 calford@wcs.k12.in.us

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

Washington Community Schools put out a bid document indicating that the Prevailing Wage Provision was to be followed by the winning bidder. The Contractor was aware and did comply with the Provision, however the language wasn't listed in the contract. Going forward, WCS will ensure the language is clearly listed in the contract before awarding the bid. Payrolls will be obtained and reviewed if prevailing wage provision isn't clearly listed in the contract.

Anticipated Completion Date: 06/30/2024

OTHER REPORTS

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