

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
03/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rachel Dutoi Steve Darnell (interim) Andrew Schoff	07-01-21 to 01-11-23 01-12-23 to 01-31-23 02-01-23 to 06-30-24
Superintendent of Schools	Dr. Theodore Stevens Benjamin Anderson	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Steven Koontz Deborah Allen	07-01-21 to 12-31-21 01-01-22 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 SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE 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 South Central Community School Corporation (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 14, 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 and 2023-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002.

South Central Community School Corporation's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 14, 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 SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the South Central Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2021 to June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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)

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

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-003 and 2023-004 for Reporting and Special Tests and Provisions - Wage Rate Requirements. Consequently, we were unable to determine whether the School Corporation complied with those 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-005. 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 2023-003, 2023-004, and 2023-005, 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 14, 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 14, 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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	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	FY 2022-2023	\$ -	\$ -	\$ -	\$ 29,483
School Breakfast Program							
Total - School Breakfast Program				-	-	-	29,483
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program-Commodities			FY 2021-2022	-	57,395	-	-
National School Lunch Program			FY 2022-2023	-	-	-	288,809
National School Lunch Program-Commodities			FY 2022-2023	-	-	-	37,563
Supply Chain Assistance Funds			FY 2022-2023	-	-	-	57,040
Total - National School Lunch Program				-	57,395	-	383,412
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2021-2022	-	450,017	-	-
Total - Child Nutrition Cluster				-	507,412	-	412,895
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579	FY 2022-2023	-	-	-	17,205
Total - Department of Agriculture				-	507,412	-	412,895
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY 2021 Federal Part B 611 Grant			21611-053-PN01	-	126,921	-	-
FY 2022 Federal Part B 611 Grant			22611-053-PN01	-	53,334	-	-
FY 2022 Federal Part B 611 Grant			22611-053-PN01	-	-	-	144,317
Subtotal - Special Education Grants to States				-	180,255	-	144,317
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X					
FY 2022 IDEA ARP 611			22611-053-ARP	-	-	-	28,848
Total - Special Education Grants to States				-	180,255	-	173,165
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2020 Federal Preschool 619 Grant			20619-053-PN01	-	2,557	-	-
FY 2021 Federal Preschool 619 Grant			21619-053-PN01	-	6,639	-	1,002
FY 2022 Federal Preschool 619 Grant			22619-053-PN01	-	-	-	6,515
FY 2022 IDEA ARP 619			22619-053-ARP	-	-	-	2,889
Total - Special Education Preschool Grants				-	9,196	-	10,406
Total - Special Education Cluster (IDEA)				-	189,451	-	183,571
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2020-2021			S010A200014	-	18,914	-	-
Title I 2021-2022			S010A210014	-	60,180	-	8,602
Title I 2022-2023			S010A220014	-	-	-	47,407
Total - Title I Grants to Local Educational Agencies				-	79,094	-	56,009

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	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
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II 18-20			7000S367A180013	-	1,000	-	-
Title II 20-22			7000S367A200013	-	7,528	-	3,791
Title II 21-23			7000S367A210013	-	-	-	20,255
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	8,528	-	24,046
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV-A: Student Support and Academic Enrichment 21-23			S424A190015	-	-	-	9,725
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Federal Stimulus/CARES Act		84.425D	S425D200013	-	5,591	-	5,735
Digital Learning Capacity Building Grant		84.425D	S425D200013	-	27,090	-	-
ESSER II		84.425D	S425D210013	-	193,123	-	10,283
ESSER III		84.425U	S425U210013	-	298,175	-	434,533
Total - COVID-19 - Education Stabilization Fund				-	523,979	-	450,551
Total - Department of Education				-	801,052	-	723,902
Department of Health and Human Services							
Medicaid Cluster	Indiana Family and Social Services Administration	93.778					
Medical Assistance Program							
Medicaid Reimbursement-Federal			FY 2021-2022	-	17,641	-	-
Medicaid Reimbursement-Federal			FY 2022-2023	-	-	-	30,892
Total - Medical Assistance Program				-	17,641	-	30,892
Total - Medicaid Cluster				-	17,641	-	30,892
Total - Department of Health and Human Services				-	17,641	-	30,892
Department of Homeland Security							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036					
COVID-19 - FEMA*COVID Reimbursement			155751	-	15,755	-	-
Total - Disaster Grants-Public Assistance (Presidentially Declared Disasters)				-	15,755	-	-
Total - Department of Homeland Security				-	15,755	-	-
Total federal awards expended				\$ -	\$ 1,341,860	\$ -	\$ 1,184,894

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

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

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal 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. South LaPorte County Special Education Cooperative

The School Corporation is a member of the South LaPorte County 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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Unmodified Qualified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the School Corporation regarding cash and investments and disbursements.

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

The School Corporation designed a process of review over bank reconciliations; however, the process was not consistently implemented throughout the audit period. For six months of the audit period, a process was not in place to ensure a combined monthly bank reconciliation was prepared in a timely manner and that the individual bank reconciliations agreed to the financial ledger and the financial statement cash balance. Additionally, the supporting documentation for reconciling items for those six months' reconciliations was not retained. As such, the internal controls as designed were not effective in ensuring monthly reconciliations were complete and accurate.

A combined reconciliation performed by the Indiana State Board of Accounts for June 30, 2023, determined there were disbursements not posted and/or not posted timely. Had the School Corporation completed bank reconciliations in a timely manner, these errors should have been identified. As the disbursements not posted were deemed immaterial, no adjustments were proposed to the financial statement.

Criteria

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

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

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

Cause

Management of the School Corporation had not implemented a proper system of internal controls related to cash and investments and disbursements.

Effect

The failure to establish a system of internal controls could enable material misstatements or irregularities to occur and remain undetected.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
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 2023-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the prior audit. The prior audit finding number was 2021-002.

Condition and Context

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

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

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

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

- The Child Nutrition Cluster expenditures were understated by \$42,509 for fiscal year 2022-2023.
- The Special Education Cluster (IDEA) expenditures were understated by \$28,932 for 2021-2022.
- The COVID-19 - Education Stabilization Fund expenditures were overstated by \$21,636 for 2021-2022 and understated by \$8,347 for 2022-2023.
- Several additional grants had errors that resulted in a total misstatement of expenditures of \$6,501 and \$27,572 for 2021-2022 and 2022-2023, respectively.

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

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

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:
 - (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.

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

- (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:

"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.

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

Section III - Federal Award Findings and Questioned Costs

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): S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Annual Data Report

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 (IDOE) 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.

The School Corporation was required to submit six annual data reports during the audit period. None of the annual data reports were submitted. Upon inquiry of the School Corporation to determine why the reports were not submitted, the School Corporation explained they had interpreted the reports to be final reports submitted upon completion of the grant not annual reports of expenditures.

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

Reimbursement Requests

To gain an understanding of how the School Corporation spent the COVID-19 - Education Stabilization Fund award, all reimbursement requests submitted to the IDOE were requested. Five of the ten reimbursement requests submitted to the IDOE could not be located. As such, we determined reimbursement requests for the audit period should be further tested.

The School Corporation's process was to complete reimbursement requests on a periodic basis to obtain reimbursement for expenditures paid. Although the reimbursement requests were prepared by the Treasurer utilizing various ledger reports and were reviewed by a second knowledgeable employee, the process did not prevent, or detect and correct, errors.

Of the ten reimbursement requests received, as noted above, five could not be provided for audit. Therefore, we were unable to substantiate the expenses reimbursed by those requests or if the requests were mathematically accurate or fairly presented. The remaining five reimbursement requests were tested without issue.

The lack of internal controls was a systemic issue throughout the audit period. The lack of documentation was isolated to the five reimbursement requests that could not be provided for audit.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
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 200.302(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."

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

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

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, annual data reports were noted submitted to the IDOE, and reimbursement requests were not retained for audit.

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

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 reports are submitted and supporting documentation is retained for reimbursement requests.

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 - Special Tests
and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425U
Federal Award Number and Year (or Other Identifying Number): S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

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.

Upon inquiry of the School Corporation to determine their procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause, the School Corporation disclosed they were unaware of the requirement existed until recently. Three construction projects were identified. The three contracts associated with the projects were selected for testing. For one contract, which included labor costs, totaling \$151,073, the prevailing wage rate clause was not included. For the two other construction projects, totaling \$65,080 and \$110,797, respectively, the School Corporation was unable to provide an approved contract with the vendors. As such, we could not determine if the contracts included the required prevailing wage rate clause.

Additionally, the School Corporation did not receive certified payrolls from any of the vendors mentioned above for each week in which any contract work was performed.

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

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
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). . . ."

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.*

(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). . . ."

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

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.

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, construction contracts entered into did not contain the required wage rate requirements clauses nor were all certified payrolls obtained by the School Corporation. In addition, not all required contracts were retained and presented for audit.

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 known questioned costs.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2023-005

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listing Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition and Context

A property record or capital asset listing which would include 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.

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not reflect all additions of equipment paid for with the School Corporation's COVID-19 - Education Stabilization Fund award. Twenty-three pieces of equipment, totaling \$248,202, were purchased during the audit period, all of which were selected for testing. Sixteen of the pieces of equipment, totaling \$133,353, were not added to the listing of capital assets. In addition, the seven pieces of equipment added to the listing did not include all the required information. The missing information included the source of funding for the property (including the federal award identification number), 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, and the use and condition of the property.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

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

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

- (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. . . ."

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, not all assets purchased in whole or in part with federal dollars were added to the capital asset listing. In addition, the assets added to the capital asset listing did not include all required information.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 7/1/2021 to 6/30/2023

Finding Subject: Financial Reporting

Summary of Finding: The School Corporation had a review process in place over financial reporting; however, it was not properly implemented to ensure the accuracy of the financial statement. During the second year of the audit period, no supporting reports or ledgers were provided to the reviewer to ensure accuracy of the financial information reported for the financial statement.

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

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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: 7/1/2021 to 6/30/2023

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

Summary of Finding: The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had not established effective internal controls over the federal award information entered in the Indiana Gateway for Governmental Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Federal Awards (SEFA). The Corporation Treasurer prepared the SEFA without oversight or review process in place. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.

Status of Audit Finding: Partially Corrected

Response Comments: The corrective action plan was fully executed up until January 9, 2023. At this time the previous Business Manager left to another school corporation. At that time a new Business Manager was hired and was unaware of this procedure. Therefore, this action ceased. Now that the new Business Manager knows of this process, I have every intention of implementing it moving forward.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 7/1/21 to 6/30/23

Finding Subject: Child Nutrition Cluster - Internal Controls

Summary of Finding:

Cash Management - The School Corporation did not have effective controls in place to ensure compliance with Cash Management as it relates to the Child Nutrition Cluster. The Food Service Director prepared the monthly claims for reimbursement without proper review or oversight to ensure the accuracy of the reimbursement claim. A copy of the monthly claim was provided to the Treasurer, who signed it to document her review. However, the Treasurer was not provided meal count reports supporting the number of meals submitted and therefore could not verify the accuracy of the meal counts submitted by the Food Service Director.

Procurement (Exceeds Simplified Acquisition) - The School Corporation did not have internal controls in place over the NIESC Food Procurement Co-Op Agreement for School Year 2020-2021 to ensure vendors covered in the agreement are procured properly.

Suspension and Debarment - The School Corporation did not have internal controls in place over the NIESC Food Procurement Co-Op Agreement for School Year 2020-2021 to ensure vendors covered in the agreement are not suspended and/or debarred.

Assessing Program Income - The School Corporation did not have documented controls to ensure the prices charged for meals and Ala Carte items served were accurately recorded into the Food Service Point of Sales System.

Recording Program Income - The School Corporation did not have a documentable internal control system in place over the receipting of program income. Program Income receipts were recorded by the treasurer's office, without documentation of proper oversight or review.

School Food Account - The School Corporation did not have documentable controls in place to ensure federal reimbursements were receipted timely.

Recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Cash Management, the Procurement and

Suspension and Debarment, the Program Income, and the Special Tests and Provisions
- School Food Service Accounts compliance requirements.

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-004

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 7/1/2021 to 6/30/2023

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

Summary of Finding:

Vendor Disbursements

The School Corporation did not have an effective control in place to ensure the cost of claims paid from the School Lunch Fund were allowable and the use of Program Income was in accordance with the grant agreement. The School Corporation did not closely monitor prices to ensure that they stayed concurrent with agreed upon prices in the contract. The School Corporation paid vendors for items that did not agree to the contracted price in the NIESC agreement with the vendors.

Payroll Disbursements

The School Corporation did not have effective controls in place to ensure compliance over Payroll Claims paid from the School Lunch Fund were allowable and the use of Program Income was in accordance with the grant agreement. There were 6 employees during the audit period that paid from the school Lunch Fund (800) that did not have proper documentation that reflected any time spent in the cafeteria. Those employees included Instructional Aides, Sub Bus Drivers, and Sub Custodians.

Recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Allowable Costs/Cost Principles and the Program Income compliance requirements.

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-005

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 7/1/2021-6/30/2023

Finding Subject: Child Nutrition Cluster- Eligibility

Summary of Finding: 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 following compliance requirements: Eligibility

The School Corporation used a food service software which automatically made eligibility determinations dependent upon the information entered in the software by applicants or school personnel. The School Corporation did not have a system of oversight or review to ensure that the federal income guidelines entered in the software program agreed to the guidelines set forth by the Indiana Department of Education.

The School Corporation did not run/upload the Direct Certification reports as required by the grant agreement. The Direct Certification process for SY 2019-2020 was done in August 2019 and September 2019. For SY 2020-2021 the Direct Certification process was done in July 2020, August 2020, October 2020 and April 2021. There was no year-to-date report run for direct certifications.

Recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Eligibility compliance requirement.

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

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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions

Summary of Finding: There were deficiencies in the internal control system of the School Corporation. The School Corporation had not separated incompatible activities related to cash and investments.

The School Corporation designed a process of review over bank reconcilements; however, the process was not consistently implemented throughout the audit period. For six months of the audit period, a process was not in place to ensure a combined monthly bank reconciliation was prepared in a timely manner and that the individual bank reconcilements agreed to the financial ledger and the financial statement cash balance. Additionally, the supporting documentation for reconciling items for those six months' reconcilements was not retained. As such, the internal controls as designed were not effective in ensuring monthly reconcilements were complete and accurate.

A combined reconciliation performed by the State Board of Accounts for June 30, 2023, determined there were disbursements not posted and/or not posted timely. Had the School Corporation completed bank reconcilements in a timely manner, these errors should have been identified. As the disbursements not posted were deemed immaterial, no adjustments were proposed to the financial statement.

Contact Person Responsible for Corrective Action: Andrew Schoff, Business Manager

Contact Phone Number: 219-767-2263 Ext 1003

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: Beginning February 2024 after the financial bank statements have been reconciled by the Business Manager, the reconciled statements along with all supporting documentation are given to the Deputy Treasurer to be reviewed for accuracy to ensure all disbursements are posted and posted in the correct accounting period.

Anticipated Completion Date: These corrective actions will go into effect immediately and will be utilized with the March 31, 2024 Bank Reconciliation.

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CORRECTIVE ACTION PLAN

FINDING 2023-002

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

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

The School Corporation filed their 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's Schedule of Expenditures of Federal Awards (SEFA) were not effective.

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

Contact Person Responsible for Corrective Action: Andrew Schoff, Business Manager

Contact Phone Number: 219-767-2263 Ext 1003

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: To track the receipt of the various grant funds, an excel spreadsheet document will be created. Each Grant will be assigned its own worksheet with the name of the Grant that is to be listed on SEFA noted on the document. Each time a reimbursement or receipt of funds is received, it will be listed on the document with the date and amount. At the end of the Fiscal Year the amount will be totaled. The same will be done with expenditures for each Grant. To ensure that the correct name and CFDA number are used for each Grant, reference will be made to the Grant Award letter. If the information is not found within that document, contact will be made with the appropriate department to obtain the needed information. The Schedule of Expenditures of Federal Awards will be input and submitted into Gateway by the Business Manager and reviewed to supporting documentation to ensure accuracy by the Superintendent.

Anticipated Completion Date: These corrective actions will go into effect immediately and will be utilized with the June 30, 2024 Schedule of Expenditures of Federal Awards.

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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Covid-19 Education Stabilization Fund- Reporting
Summary of Finding:

Annual Data Report

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 (IDOE) 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.

The School Corporation was required to submit six annual data reports during the audit period. None of the annual data reports were submitted. Upon inquiry of the School Corporation to determine why the reports were not submitted, the School Corporation explained they had interpreted the reports to be final reports submitted upon completion of the grant not annual reports of expenditures.

Reimbursement Requests

To gain an understanding of how the School Corporation spent their Education Stabilization Fund award, all reimbursement requests submitted to the Indiana Department of Education (IDOE) were requested. Five of the ten reimbursement requests submitted to IDOE could not be located. As such, we determined reimbursement requests for the audit period should be further tested.

The School Corporation's process was to complete reimbursement requests on a periodic basis to obtain reimbursement for expenditures paid. Although the reimbursement requests were prepared by the Treasurer utilizing various ledger reports and were reviewed by a second knowledgeable employee; the process did not prevent, or detect and correct, errors.

Of the ten reimbursement requests received, as noted above, five could not be provided for audit. Therefore, we were unable to substantiate the expenses reimbursed by those requests or if the requests were mathematically accurate or fairly presented. The remaining five reimbursement requests were tested without issue.

Contact Person Responsible for Corrective Action: Andrew Schoff, Business Manager
Contact Phone Number: 219-767-2263 Ext 1003

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: Beginning March 2024 the Business Manager will submit Annual Data Reports for any Federal Grant issued when stated in the Grant contract. The Annual Data Report will be reviewed by the Superintendent for accuracy. Also, the Business Manager will request reimbursement timelier for Federal Grants collecting supporting documentation to ensure correct amounts are being requested. Documentation will be maintained with a copy of the submitted reimbursement requests to provide support for the amounts being requested.

Anticipated Completion Date: These corrective actions will go into effect immediately and will be utilized with the March 31, 2024 for any Federal Grant reimbursement.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

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CORRECTIVE ACTION PLAN

FINDING 2023-004

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

Summary of Finding:

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.

Upon inquiry of the School Corporation to determine their procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause, the School Corporation disclosed they were unaware of the requirement existed until recently. Three construction projects were identified. The three contracts associated with the projects were selected for testing. For one contract, which included labor costs, totaling \$151,073, the prevailing wage rate clause was not included. For the two other construction projects, totaling \$65,080 and \$110,797, respectively, the School Corporation was unable to provide an approved contract with the vendors. As such we could not determine if the contracts included the required prevailing wage rate clause.

Additionally, the required certified payrolls were not obtained by the School Corporation or presented for audit.

Contact Person Responsible for Corrective Action: Andrew Schoff, Business Manager

Contact Phone Number: 219-767-2263 Ext 1003

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: Beginning March 2024 the School Corporation will ensure it is following all Federal Grant agreements. The Business Manager will review all Federal Grant agreements with the Superintendent and acquire proper documentation to show compliance with the agreement. For any future construction contracts, the Business Manager will ensure the contract includes all mandated items per the Federal Grant Agreements prior to approving and obtain the required payroll documentation when necessary.

Anticipated Completion Date: These corrective actions will go into effect immediately and will be utilized with the March 31, 2024 to ensure following all Federal Grant agreements.

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CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: Covid-19 Education Stabilization Fund- Equipment
Summary of Finding:

A property record or capital asset listing which would include 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.

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not reflect all additions of equipment paid for with the School Corporation's Education Stabilization Fund award. Twenty-three pieces of equipment, totaling \$248,202, were purchased during the audit period, all of which were selected for testing. Sixteen of the pieces of equipment, totaling \$133,353, were not added to the listing of capital assets. In addition, the seven pieces of equipment added to the listing did not include all the required information. The missing information included the source of funding for the property (including the federal award identification number), 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, and the use and condition of the property.

Contact Person Responsible for Corrective Action: Andrew Schoff, Business Manager
Contact Phone Number: 219-767-2263 Ext 1003

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: Beginning June 2024 the School Corporation will have a detailed Capital Assets Ledger with any piece of equipment exceeding the amount of \$5000.00. The School Corporation is working with an Asset's Management company to ensure the Capital Assets Ledger is correct and up to date. We will ensure all items that exceed the threshold will be included, as well as, detailed information including the grant program number that items were purchased from.

Anticipated Completion Date: These corrective actions will go into effect immediately and will be utilized with the June 30, 2024 to create a Capital Assets Ledger.

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/>.