

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SALEM COMMUNITY SCHOOLS

WASHINGTON COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chrissie Albertson	07-01-21 to 07-09-23
	Lana Hamilton	07-10-23 to 06-30-24
Superintendent of Schools	Jon Acton	07-01-21 to 02-14-22
	Kim A. Thurston, EdD (interim)	02-15-22 to 06-30-22
	Richard Rutherford	07-01-22 to 05-29-23
	Kim A. Thurston, EdD (interim)	05-30-23 to 03-10-24
	Jill C. Mires	03-11-24 to 06-30-24
President of the School Board	Rodney Brough	07-01-21 to 12-31-22
	Mark A. Day	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 SALEM COMMUNITY SCHOOLS, WASHINGTON 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 Salem Community Schools (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 12, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 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.

Salem Community Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024



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

TO: THE OFFICIALS OF THE SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Salem Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

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

Basis for Qualified and Unmodified Opinions

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

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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

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 and 2023-005 for Reporting and Special Tests and Provisions - Wage Rate requirements, respectively. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003. 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, 2023-005, and 2023-006, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 12, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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SALEM COMMUNITY SCHOOLS
 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					
School Breakfast			FY2022	\$ -	\$ 233,209	\$ -	\$ -
School Breakfast			FY2023	-	-	-	233,446
Total - School Breakfast Program				-	233,209	-	233,446
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
Commodities			FY2022	-	703,352	-	-
School Lunch			FY2022	-	122,287	-	-
Commodities			FY2023	-	-	-	703,089
Supply Chain Assistance			FY2023	-	-	-	86,275
School Snack			FY2023	-	-	-	91,980
			FY2023	-	-	-	21,892
Subtotal - National School Lunch Program				-	825,639	-	903,236
COVID-19 - National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
			FY2022	-	30,555	-	-
Total - National School Lunch Program				-	856,194	-	903,236
Special Milk Program for Children							
School Milk	Indiana Department of Education	10.556					
			FY2023	-	-	-	42
Total - Child Nutrition Cluster				-	1,089,403	-	1,136,724
Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			FY2022	-	614	-	-
Pandemic EBT Administrative Costs			FY2023	-	-	-	628
Total - Pandemic EBT Administrative Costs				-	614	-	628
Total - Department of Agriculture				-	1,090,017	-	1,137,352
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY19 Special Education Part B			19611-054-PN01	-	863	-	-
FY20 Special Education Part B			20611-052-PN01	-	309	-	-
FY21 Special Education Part B			21611-052-PN01	-	-	-	4,115
FY21 Special Education Part B			21611-052-PN01	-	237,838	-	-
FY22 Special Education Part B			22611-052-PN01	-	219,980	-	-
FY22 Special Education Part B			22611-052-PN01	-	-	-	237,307
FY23 Special Education Part B			23611-052-PN01	-	-	-	223,092
Subtotal - Special Education Grants to States				-	458,990	-	464,514

SALEM COMMUNITY SCHOOLS
 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
COVID-19 - Special Education Grants to States TY22 IDEA ARP 611 Grant TY22 IDEA ARP 611 Grant	Indiana Department of Education	84.027X	22611-052-ARP 22611-052-ARP	- -	46,042 -	- -	- 52,553
Total - Special Education Grants to States				-	505,032	-	517,067
Special Education Preschool Grants FY20 Special Education Preschool FY21 Special Education Preschool FY21 Special Education Preschool FY22 Special Education Preschool FY22 Special Education Preschool FY23 Special Education Preschool	Indiana Department of Education	84.173	20619-052-PN01 21619-052-PN01 21619-052-PN01 22619-052-PN01 22619-052-PN01 23619-052-PN01	- - - - - -	37 5,498 - 13,044 - -	- - - - - -	- - 163 - 2,403 13,057
Subtotal - Special Education Preschool Grants				-	18,579	-	15,623
COVID-19 - Special Education Preschool Grants TY22 IDEA ARP 619 Grant	Indiana Department of Education	84.173X	22619-052-ARP	-	-	-	6,685
Total - Special Education Preschool Grants				-	18,579	-	22,308
Total - Special Education Cluster (IDEA)				-	523,611	-	539,375
Title I Grants to Local Educational Agencies Title I SY 19-20 Title I SY 2020-2021 Title I SY 2021-2022 Title I SY 2021-2022 Title I SY 22-23	Indiana Department of Education	84.010	S010A190014 S010A200014 S010A210014 S010A210014 S010A220014	- - - - -	296 74,058 282,670 - -	- - - - -	- - - 94,264 213,867
Total - Title I Grants to Local Educational Agencies				-	357,024	-	308,131
Education for Homeless Children and Youth McKinney Vento McKinney Vento McKinney Vento McKinney Vento McKinney Vento	Indiana Department of Education	84.196	S196A190015 S196A200015 S196A200015 S196A210015 S196A210015	- - - - -	2,526 - 14,887 427 -	- - - - -	- 10,664 - - 734
Total - Education for Homeless Children and Youth				-	17,840	-	11,398
Rural Education Rural and Low Income 2018-20 Rural and Low Income 2021-23 Rural and Low Income 2021-23	Indiana Department of Education	84.358	S358B180014 S358B210014 S358B210014	- - -	12,258 9,679 -	- - -	- - 30,003
Total - Rural Education				-	21,937	-	30,003

SALEM COMMUNITY SCHOOLS
 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	Indiana Department of Education	84.367					
Title II-A FFY 2020			S367A200013	-	11,000	-	-
Title II- A FFY 2021			S367A210013	-	68,031	-	-
Title II- A FFY 2021			S367A210013	-	-	-	7,676
Total - Supporting Effective Instruction State Grants				-	79,031	-	7,676
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY19			S424A190015	-	7,966	-	-
Title IV Part A FY 20-21			S424A200015	-	7,712	-	-
Title IV Part A FY 20-21			S424A200015	-	-	-	7,505
Title IV Part A FY21-22			S424A210015	-	-	-	11,694
Total - Student Support and Academic Enrichment Program				-	15,678	-	19,199
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Esser II		84.425D	S425D210013	-	595,704	-	-
CARES Act		84.425D	S425D200013	-	148	-	-
Esser II		84.425D	S425D210013	-	-	-	418,157
CARES Act		84.425D	S425D200013	-	-	-	904
Esser III		84.425U	S425U210013	-	1,569,780	-	-
Esser III		84.425U	S425U210013	-	-	-	986,534
Total - COVID-19 - Education Stabilization Fund				-	2,165,632	-	1,405,595
Total - Department of Education				-	3,180,753	-	2,321,377
<u>Federal Emergency Management Agency</u>							
BRIC: Building Resilient Infrastructure and Communities	Indiana Department of Homeland Security	97.047					
Salem High School Safe Room Project			PDMC-PJ-05-IN-2018-003	-	1,515,906	-	-
Salem High School Safe Room Project			PDMC-PJ-05-IN-2018-003	-	-	-	1,953,556
Salem Middle School Safe Room Project			PDMC-PJ-05-IN-2018-007	-	893,163	-	-
Salem Middle School Safe Room Project			PDMC-PJ-05-IN-2018-007	-	-	-	1,192,965
Total - BRIC: Building Resilient Infrastructure and Communities				-	2,409,069	-	3,146,521
Total - Department of Homeland Security				-	2,409,069	-	3,146,521
Total federal awards expended				\$ -	\$ 6,679,839	\$ -	\$ 6,605,250

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

SALEM COMMUNITY SCHOOLS
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 Central Area Special Education Cooperative

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some of 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.

SALEM COMMUNITY SCHOOLS
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)	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Qualified
97.047	BRIC: Building Resilient Infrastructure and Communities	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

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

Repeat Finding

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

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

Condition and Context

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

The School Corporation filed its reports as prescribed; however, the internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Annual Financial Report (AFR) and financial statement, were not effective.

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial 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 financial statement contained the following errors:

- The 2021 Construction Safe Rooms fund overstated receipts and disbursements each by \$2,005,414 in fiscal year 2021-2022.
- The Prepaid Lunch fund was omitted from the financial statement, which understated financial activity in 2021-2022 and 2022-2023. In 2021-2022, the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$26,109; \$66,173; \$67,926; and \$24,356, respectively. In 2022-2023, the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$24,356; \$167,471; \$165,233; and \$26,594, respectively.
- The SNP Clearing Acct fund was omitted in 2022-2023. As such, receipts and disbursements were understated by \$1,619,034 and \$1,619,169, respectively. In addition, the ending cash and investments balance was overstated by \$135.
- The Education fund disbursements were overstated by \$2,074,990, and other financing uses were understated by \$2,074,990 in 2022-2023.
- In 2021-2022, four funds had individually immaterial errors which resulted in the following net errors: the beginning cash and investments balance was overstated by \$40,016; receipts were understated by \$29,642; disbursements were understated by \$29,765; and the ending cash and investments balance was overstated by \$40,139.
- In 2022-2023, three funds had individually immaterial errors which resulted in the following net errors: receipts were overstated by \$279,856, disbursements were overstated by \$295,944, and the ending cash and investments balance was understated by \$16,088.
- In 2021-2022, the School Corporation obtained a loan for the purchase of weight room equipment. The financial activity related to the loan was not recorded in the financial records of the School Corporation and was not reported in the financial statement. The loan proceeds were disbursed directly by the lending financial institution to the vendors. As such, both receipts and disbursements were understated by \$148,671. In addition, the repayment of the loan was incorrectly recorded in the financial records as purchase of supplies and professional services. Audit adjustments were not made to the financial statement for this activity as the net effect on the ending cash and investment balance is zero.

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

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

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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](#)."

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 established a system of internal controls that would have ensured proper reporting of the financial statement.

Effect

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

Views of Responsible Officials

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

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

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 report. The prior audit finding number was 2021-001.

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 \$21,696 and \$470,260 for fiscal years 2021-2022 and 2022-2023, respectively.
- The Supporting Effective Instruction State Grants expenditures were understated by \$1,000 for 2021-2022.
- The BRIC: Building Resilient Infrastructure and Communities grant expenditures were overstated by \$416,647 for 2022-2023.
- Several grants had incorrect award names and identifying numbers.

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

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3-8.7](#)."

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

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.
- (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.

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

- (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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

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

Condition and Context

The School Corporation has a property inventory policy which outlines that a property record or capital asset listing is to be maintained for items purchased with federal grant awards that exceed \$5,000. The property record or capital asset listing per the School Corporation's policy is to include the following: 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)), title entity, acquisition date, cost of the property, percentage of Federal participation in the project costs for the award under which the equipment was acquired, the location, use and condition of the equipment, and ultimate disposition data including the date of the disposal and sales price of the equipment. The property record or asset listing is to be maintained for assets that exceed the School Corporation's capitalization threshold. In addition, the policy states a physical inventory of the property must be taken at least once every two years.

Equipment, totaling \$720,578, was purchased with the grant award. All equipment purchased was properly included on the capital asset listing; however, the capital asset listing did not include all the required information. The capital asset listing was missing the following information: a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), title entity, percentage of Federal participation in the project costs for the award under which the equipment was acquired, and use of equipment. In addition, an inventory had not been completed once every two years as required.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.313(d) states in part:

". . .

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

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, the School Corporation's asset listing did not include all the required information. In addition, a physical inventory was not conducted every two years.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of 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 proper system of internal controls and develop procedures to ensure asset records include all the necessary information and that a physical inventory is conducted every two years as required.

Views of Responsible Officials

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

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

FINDING 2023-004

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 was required to submit annual data reports 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.

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. The reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

Furthermore, the data reported for three of the six reports could not be traced back to underlying records; therefore, the accuracy and completeness of the reports could not be verified. The following errors were identified:

1. ESSER I, Year 2 Report

No activity was reported to the IDOE, per the report; however, the School Corporation's records indicate expenditures for the period of \$81,312.

The key line item, "Addressing Physical Health and Safety - Supplies," was understated by \$1,829. The key line item, "Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) - Property," was understated by \$16,915.

2. ESSER II, Year 1 Report

No activity was reported to the IDOE, per the report; however, the School Corporation's records indicated expenditures for the period of \$275,399.

The key line item, "Addressing Physical Health and Safety - Purchased Professional and Technical Services," was understated by \$6,041. The key line item, "Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) - Supplies," was understated by \$104,829.

3. ESSER II, Year 2 Report

Expenditures reported to the IDOE, per the report, were \$361,627; however, the School Corporation's records indicated expenditures for the period of \$438,739.

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

The key line item, "Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) Uses - Supplies," was understated \$77,112.

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 200.334 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. . . ."

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."

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.

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, some data could not be traced back to the underlying 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 accurate and complete.

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 - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013, 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.

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. One construction contract in excess of \$2,000 paid from federal grant funds was identified. The one construction contract for new flooring in the amount of \$712,000 was selected for testing. The contract presented for audit did not contain the required prevailing wage rate clause. In addition, certified payrolls were not submitted by the contractor to the School Corporation.

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

SALEM COMMUNITY SCHOOLS
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:

"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.* . . .

(i)

(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). . . ."

SALEM COMMUNITY SCHOOLS
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 certified payrolls timely 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 internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

Views of Responsible Officials

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

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

FINDING 2023-006

Subject: BRIC: Building Resilient Infrastructure and Communities - Internal Controls
Federal Agency: Federal Emergency Management Agency
Federal Program: BRIC: Building Resilient Infrastructure and Communities
Assistance Listings Number: 97.047
Federal Award Numbers and Years (or Other Identifying Numbers): PDMC-PJ-05-IN-2018-003,
PDMC-PJ-05-IN-2018-007
Pass-Through Entity: Indiana Department of Homeland Security
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Cash Management, Reporting
Audit Finding: Material Weakness

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.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management

Building Resilient Infrastructure and Communities (BRIC) program expenditures were to be used for costs associated with building "safe rooms" at the School Corporation's middle school and high school. The School Corporation provided paid claims to a grant administrator, who then prepared and filed reimbursement requests on behalf of the School Corporation. The School Corporation relied on the Grant Administrator to determine if costs submitted on the paid claims were allowable, in conformance with the cost principles, and adhered to the cash management requirements of the grant. Once the claims were provided to the grant administrator there was no oversight or review from the School Corporation.

Reporting

Quarterly performance reports were required to be filed electronically with the Indiana Department of Homeland Security. The grant administrator prepared and submitted the required quarterly reports without any oversight or review from the School Corporation.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

Cause

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

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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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 and FINDING 2019-002

Fiscal year in which the finding initially occurred: 2013

Current Audit Period: 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 controls in place to prevent, or detect, and correction errors on the Schedule of Expenditures of Federal Awards resulting in numerous errors.

Status of Audit Finding:

Not Corrected.

Response Comments:

Due to continuous changes in personnel, the staff is continually working to master and improve the SEFA reporting preparation and submission. The superintendent confirms the report with his signature.

When preparing the SEFA, the treasurer will prepare the SEFA and the deputy treasurer will confirm the information prior to submission. Because the deputy treasurer has not helped with the SEFA in the past, information provided by the treasurer will result in questions and conversations. The superintendent will remain as the final reviewer.



FINDING 2021-002 and FINDING 2019-001

Fiscal year in which the finding initially occurred: 2017

Current Audit Period: 2023

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Proper controls were not in place for the approval of vendor disbursements. Forms used to document the signature approval for vendor disbursements contained pre-printed signatures thus it could not be determined which expenditures had been approved.

Controls were not in place to support that all disbursements made were included on the Accounts Payable Voucher Register approved by the fiscal officer and School Board.

Controls were not in place over the preparation of the financial statement resulting in multiple errors.

Status of Audit Finding:

Partially Corrected

Response Comments:

Preprinted signatures were removed from the AP vouchers. The corporation treasurer reviews and approves the invoices prior to checks being written. After checks are written both the corporation treasurer and the assistant superintendent review the payments and approve with a signature.

Treasurer will go into accounting software and print the AP Voucher Register each time presented invoices. The AP Voucher Register printed for the board will be checked by the treasurer or deputy treasurer prior to the board meeting.

Due to continuous changes in personnel over multiple years, the staff is continually working to master and improve controls over financial statement reporting. The school has



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contracted with Administrator Assistance, LLC and has developed a relationship with consultant, Karen Zackfia, who not only visits the school, but is available by phone and emails to both the treasurer and deputy treasurer. Also, both treasurers are members of IASBO and have developed contacts with other schools' accounting personnel.

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2017
Current Audit Period: 2023

Finding Subject: Child Nutrition Cluster - Program Income
Summary of Finding:

The Food Service Director recorded program income without an oversight or review to verify the amounts recorded were correct and complete.

Status of Audit Finding:

Corrected

FINDING 2021-004

Fiscal year in which the finding initially occurred: 2021
Current Audit Period: 2023

Finding Subject: Special Education Cluster – Activities Allowed or Unallowed; Allowable Cost/Cost Principles
Summary of Finding:

The School Cooperation was a participating member of the South Central Area Special Education Cooperative (Cooperative). The School Corporation was reimbursed by the Cooperative, based on invoices submitted by the School Corporation Treasurer for salaries and benefit costs incurred for designated staff who provided special education services at the local schools. There was no evidence

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of administrative oversight of the invoice preparation and submission process by a knowledgeable individual to ensure that the amounts invoiced were for activities allowed and that the costs were allowed.

Status of Audit Finding:

Corrected

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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding: Financial Statement errors and lack of internal control over financial statements and activity to prevent errors.

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan: Internal control for any and all accounting processes will have a second check, indicated with a signature and date, to help prevent future errors.

Effective 1/1/24, the financial part of the SNP was moved to the corporation level. The school treasurer is working to master the processes. The food service director and the treasurer are confirming the SNP balances in the 0800 and 8400 accounts on a monthly basis.

Corporation internal control procedures will be in place for any future loans. The loan proceeds will be posted at the corporation level and disbursements will be made from the corporation level, not the financial institution.

Anticipated Completion Date: March 2024



CORRECTIVE ACTION PLAN

FINDING 2023-002

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

Summary of Finding: SEFA errors and lack of understanding and internal controls of SEFA.

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the findings

Description of Corrective Action Plan: Due to numerous turnovers in the treasurer's position, the current treasurer will continue to learn and master the SEFA reporting through trainings with IASBO and feedback from the auditors.

Internal controls will be added where the SEFA will be reviewed by a second source prior to submittal, indicated by a signature and date.

Data will be more thoroughly reviewed during the preparation of the SEFA, prior to submittal

Anticipated Completion Date: August 2024



CORRECTIVE ACTION PLAN

FINDING 2023-003

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

Summary of Finding: Incomplete information on capital assets, especially when involving federal funding, where having additional internal controls would have prevented the omissions.

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Assets will be better recorded, with separation of duties being the first step of internal controls. Capital assets will be added by the A/P clerk and reviewed by the treasurer. Entries will include previously missing information such as where the asset was purchased and if it was purchased with federal funds, what federal grants were used and the FAIN (Federal Award ID Number).

The new treasurer will work on reimplementing the 2-year inventory process for each building that composes the SCS.

Anticipated Completion Date: Dec. 31, 2024



CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: COVID-19 Education Stabilization Fund - Reporting

Summary of Finding: Federal reporting lacked internal controls, resulting in errors on federal reporting.

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the findings.

Description of Corrective Action Plan: Internal controls will be added to each federal report that is submitted. They will be reviewed by a second staff member, indicated by a signature and date. Accounting expense reports and any other supporting documentation used to complete the reports will be kept internally with the reports and used by the reviewer to verify the accuracy of the reports.

Anticipated Completion Date: March 2024



CORRECTIVE ACTION PLAN

FINDING 2023-005

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

Summary of Finding: Lack of internal controls and noncompliance in regards to installation as a part of a construction projects, especially in regards to those covered by federal funding, over \$2000. (Davis Bacon rules)

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Due to continued changes in the corporation treasurer’s position, the wage rate requirements were not mastered. The current treasurer will continue to learn about Davis Bacon requirements from IASBO, DOE and other peer groups.

An addition, corporation internal controls will be added regarding this to prevent future noncompliance. All staff, from those seeking quotes to those imputing invoices, will continue to learn about the Davis Bacon requirements.

Anticipated Completion Date: March 2024



CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: BRIC: Building Resilient Infrastructure and Communities – Internal Controls

Summary of Finding: Lack of internal controls for BRIC program.

Contact Person Responsible for Corrective Action: Jill C. Mires

Contact Phone Number and Email Address: 812-883-4437, jmires@salemschools.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The current treasurer will oversee all claims, disbursements, and reporting for any given project. This will be the added layer of internal controls needed when working with a grant administrator, as was done with the most recent BRIC program.

Anticipated Completion Date: March 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/>.