

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BORDEN-HENRYVILLE SCHOOL CORPORATION

CLARK COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/14/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-20
Auditee-Prepared Document:	
Corrective Action Plan	22-24
Other Reports.....	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patty Kelley	07-01-21 to 06-30-24
Superintendent of Schools	Johnny Budd	07-01-21 to 06-30-24
President of the School Board	Myra Wright Powell	07-01-21 to 06-30-24



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

TO: THE OFFICIALS OF THE BORDEN-HENRYVILLE SCHOOL
CORPORATION, CLARK 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 Borden-Henryville 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 4, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

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

Borden-Henryville 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 4, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 BORDEN-HENRYVILLE SCHOOL CORPORATION, CLARK COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Borden-Henryville 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 its major federal program for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

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 major federal program for the period of July 1, 2021 to June 30, 2023.

Basis for Opinion on the Major Federal Program

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.

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

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

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 deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003, 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.

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 4, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 4, 2024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

BORDEN-HENRYVILLE 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					
School Breakfast Program			SY22	\$ -	\$ 194,329	\$ -	\$ -
School Breakfast Program			SY23	-	-	-	117,889
Total - School Breakfast Program				-	194,329	-	117,889
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			SY22	-	702,673	-	-
School Lunch Program			SY23	-	-	-	478,778
School Lunch Program-Supply Chain Assistance			SY22	-	-	-	90,805
Commodities			SY22	-	84,541	-	-
Commodities			SY23	-	-	-	64,355
Subtotal - National School Lunch Program				-	787,214	-	633,938
COVID-19 - National School Lunch Program SNP Emergency Funds for COVID	Indiana Department of Education	10.555					
			SY22	-	29,708	-	-
Total - National School Lunch Program				-	816,922	-	633,938
Total - Child Nutrition Cluster				-	1,011,251	-	751,827
Pandemic EBT Administrative Costs							
PEBT Admin	Indiana Department of Education	10.649					
			SY22/SY23	-	614	-	628
Total - Department of Agriculture				-	1,011,865	-	752,455
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Part B 611 FY19	Indiana Department of Education	84.027					
Part B 611 FY20			H027A180084	-	13,545	-	-
Part B 611 FY21			H027A190084	-	350,237	-	-
			H027A200084	-	-	-	337,866
Total - Special Education Grants to States				-	363,782	-	337,866
Special Education Preschool Grants							
619 Part B FY19	Indiana Department of Education	84.173					
619 Part B FY20			H173A180104	-	907	-	-
619 Part B FY21			H173A190104	-	17,215	-	-
			H173A200104	-	-	-	12,099
Total - Special Education Preschool Grants				-	18,122	-	12,099
Total - Special Education Cluster (IDEA)				-	381,904	-	349,965
Title I Grants to Local Educational Agencies							
Title I FY19	Indiana Department of Education	84.010					
Title I FY20			S010A190014	-	72,276	-	-
			S010A200014	-	110,745	-	-

BORDEN-HENRYVILLE 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
Title I FY21			S010A210014	-	-	-	215,615
Title I FY22			S010A220014	-	-	-	121,709
Total - Title I Grants to Local Educational Agencies				-	183,021	-	337,324
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FFY 2018			S367A180013	-	7,689	-	-
Title II Part A FFY 2019			S367A190013	-	-	-	40,589
Title II Part A FFY 2020			S367A200013	-	-	-	44,853
Title II Part A FFY 2021			S367A210013	-	-	-	43,593
Total - Supporting Effective Instruction State Grants				-	7,689	-	129,035
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FFY18			S424A190015	-	10,875	-	-
Title IV Part A FFY19			S424A200015	-	-	-	12,419
Total - Student Support and Academic Enrichment Program				-	10,875	-	12,419
COVID-19 - Education Stabilization Fund Cares Act-Fed Stability Relief	Indiana Department of Education	84.425D					
			S425D200013	-	-	-	155,542
Total - Department of Education				-	583,489	-	984,285
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Health and Human Services	93.778					
Medicaid Administrative Claiming SY22			SY22	-	43,302	-	-
Medicaid Administrative Claiming SY23			SY23	-	-	-	48,307
Total - Medical Assistance Program				-	43,302	-	48,307
Total - Medicaid Cluster				-	43,302	-	48,307
Total - Department of Health and Human Services				-	43,302	-	48,307
<u>Department of Homeland Security</u>							
Disaster Grants - Public Assistance (Presidentially Declared Disasters) FY 21-22 Assistance	Indiana Department of Homeland Security	97.036					
			4515DRINP0000001	-	22,670	-	-
Total - Department of Homeland Security				-	22,670	-	-
Total federal awards expended				\$ -	\$ 1,661,326	\$ -	\$ 1,785,047

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

BORDEN-HENRYVILLE 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. Clark County Joint Services Program

The School Corporation was a member of the Clark County Joint Services Program (Cooperative) until it dissolved June 30, 2021. As a result, some 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.

BORDEN-HENRYVILLE 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 program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified

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

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

FINDING 2023-001

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

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 the required reports as prescribed; however, the Treasurer prepared and entered the federal award information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule Expenditures of Federal Awards (SEFA), without a review or approval process in place to prevent, or detect and correct, errors on the SEFA.

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The National School Lunch Program expenditures were understated by \$137,921 due to incorrectly reporting Commodities and the omission of the COVID - SNP Emergency Funds.
2. The Special Education Cluster (IDEA) expenditures were understated by \$363,782 due to the omission of the special education expenditures for fiscal year 2021-2022.
3. Several other grants had immaterial errors that resulted in a misstatement of expenditures in the amount of \$88,969.
4. Other errors included incorrect program names and pass-through entity identifying numbers.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.510(b) states:

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

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

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

"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. . . .

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

FINDING 2023-002

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

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established effective internal controls over financial close and reporting and cash and investments.

Financial Close and Reporting

The School Corporation did not have a proper system of internal controls in place over financial close and reporting. The Treasurer entered the information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement, without a review or approval process in place to prevent, or detect and correct, errors on the AFR.

Due to the lack of internal controls, errors were noted with respect to the School Corporation's agreement with the Borden-Henryville Multi-Building Corporation.

During fiscal year 2022-2023 the School Corporation entered into an agreement with the Borden-Henryville Multi-Building Corporation (the "Issuer") in connection with the issuance of the Issuer's \$19.9 million Ad Valorem Property Tax First Mortgage Bonds, Series 2022. As noted in the agreement, the Building Corporation purchased school facilities in the amount of \$12 million. A portion of the \$12 million, \$4,124,679, was used to pay off the Bond Anticipation Note (BAN) issued by the School Corporation in March of 2022. The BAN payoff should have been reported as a Debt Service expense on the AFR; however, the payoff was omitted. In addition, although the remaining \$7,875,321 was correctly reported as receipts on the AFR; the receipts were improperly classified as Proceeds from Long-Term Debt instead of Sale of Capital Assets.

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to the Combining Schedule 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.

Cash and Investments

The School Corporation designed a process in which the Treasurer prepared the bank reconciliations and the AP Clerk reviewed and approved the reconciliations; however, this was only implemented during the first 6 months of the audit period. Furthermore, the last bank reconciliation completed by the School Corporation was December 2021. Since bank reconciliations of the bank balances to the School Corporation's record balance had not been performed for the last 18 months of the audit period, the Examiners used confirmed bank balances and compiled amounts for outstanding checks and deposits in transit to determine if the School Corporation's record balance reconciled to the bank balances. The calculations completed by the Examiners indicated that the bank balances were less than the record balances by \$12,837 and \$74,312, as of June 30, 2022 and 2023, respectively.

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](#)."

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."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public Schools Corpora, 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.

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Cause

Management of the School Corporation had not established an effective system of internal controls that would have ensured proper reporting of the financial statement and verification that bank reconciliements were being performed timely.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatement of the financial statement remained undetected. The financial statement contained errors as identified in the *Condition and Context*. In addition, without a proper system of internal controls in place that operated effectively, timely bank reconciliements were not completed.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program
COVID-19 - National School Lunch Program

Assistance Listings Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY22, SY23

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Non-Profit School Food Service Accounts

Audit Finding: Material Weakness

Condition and Context

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

Eligibility

The School Corporation's policy is to have the Treasurer review and initial paper applications processed by the individual school treasurers to ensure that the eligibility determination was correct. However, six of the ten applications tested lacked documentation of this review. In addition, there was no internal control in place over applications submitted online.

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The Treasurer performed the verification of free and reduced price applications without a documented review or oversight process in place to ensure that applications selected for verification were in compliance with requirements related to the program.

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

The School Corporation did not have an internal control in place to ensure that reimbursements for meals served were properly credited to the School Lunch fund.

The lack of internal controls for Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) was isolated to the second year of the audit period. The lack of internal controls over Special Tests and Provisions - School Food Accounts was systemic throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

BORDEN-HENRYVILLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

AUDITEE-PREPARED DOCUMENT

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



Johnny Budd, Superintendent & Chief Financial Officer
Lisa Gardner, Director of Innovative Education
Leah Seng, Interim Director of Special Populations
Eric Wright, Director of Technology
Todd Tanksley, Director of Transportation

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CORRECTIVE ACTION PLAN

FINDING 2023-001

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

Summary of Finding: An internal control process was not in place over the reporting of the Schedule of Expenditures of Federal Awards (SEFA) which resulted in errors that were not caught before the submission of the SEFA within the Annual Financial Report (AFR). It is recommended that an internal control process be implemented to avoid reporting errors during the submission of this schedule with the AFR.

Contact Person Responsible for Corrective Action: Patricia Kelley
Contact Phone Number and Email Address: 812-913-9630, pkelley@bhsc.school

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

We will have the Annual Financial Report and Supplemental Reports, which includes the SEFA, reviewed by a second person that is knowledgeable with the content of those reports. This will prevent, or allow for detection and correction, of any errors on the Annual Financial Report and the Supplemental Reports contained therein.

Anticipated Completion Date:

This corrective action will take place starting with the Annual Financial Report due for FY23/24 in August 2024.



Johnny Budd, Superintendent & Chief Financial Officer
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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Financial Transactions and Reporting

Summary of Finding: An internal control process was not in place over the financial close and reporting of the financial data within the Annual Financial Report (AFR). The internal control process developed for the reconciliation of the bank accounts was not being followed as the reconciliation process did not occur during the latter 18 months of the audit period. It is recommended that an internal control process be implemented to avert reporting errors during the submission of the AFR and to proceed using the previously implemented internal control over the bank reconciliation by completing the bank reconciliations on a monthly basis.

Contact Person Responsible for Corrective Action: Patricia Kelley
Contact Phone Number and Email Address: 812-913-9630, pkelley@bhsc.school

Views of Responsible Officials:
We concur with the finding.

Description of Corrective Action Plan:

We will have the Annual Financial Report and Supplemental Reports reviewed by a second person that is knowledgeable with the content of those reports. This will prevent, or allow for detection and correction, of any errors on the Annual Financial Report and the Supplemental Reports contained therein. Bank reconciliations will be completed on a monthly basis and reviewed/approved by a person with the financial background to provide such support. Bank reconciliations, one month in arrears, will be provided to the School Board for approval at our regularly scheduled meeting held once a month.

Anticipated Completion Date:

The corrective action concerning Gateway will take place starting with the Annual Financial Report due for FY23/24 in August 2024. The corrective action concerning the bank reconciliations will take place for the April 2024 School Board meeting.



Johnny Budd, Superintendent & Chief Financial Officer
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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Child Nutrition Cluster-Internal Controls

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

Assistance Listings Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY21/22, FY22/23

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions-Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions-Non-Profit School Food Service Accounts

Summary of Finding: An internal control process was not in place over the eligibility, special tests and provisions over verification of free and reduced price applications, special tests and provisions over the non-profit school food service accounts compliance requirements. It is recommended that an internal control process be implemented to avoid possibly being noncompliant with each compliance requirement.

Contact Person Responsible for Corrective Action: Patricia Kelley and Janet Willis

Contact Phone Number and Email Address: 812-913-9630, pkelley@bhsc.school and jwillis@bhsc.school

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Free and Reduced Price Applications submitted on paper are first reviewed at the individual school level and then forwarded to the Cafeteria Director at the Central Office, for their second approval. In the absence of the Cafeteria Director, the Treasurer will perform the second approval. The online applications will be processed and approved initially by the Cafeteria Director and the second approval will be performed by the Treasurer. In the absence of the Treasurer, the Accounts Payable Clerk will be trained and asked to do the second approval on all online applications. Infinite Campus makes all selections for the Cafeteria Verification process. These applications will be processed by the Cafeteria Director and once all verifications have been performed, the Treasurer will complete the second review. In the absence of the Treasurer, the Accounts Payable Clerk will be trained in the process to complete the second review. Once the monthly reimbursement claims completed on CNPWeb are receipted into the Cafeteria Fund in our Financial Management Software, the Cafeteria Director will be notified that they are to confirm that all receipts were accounted for correctly. The FMS report will be signed by the Cafeteria Director and kept with the corresponding receipts for auditor review.

Anticipated Completion Date:

We will begin all of these corrective actions immediately, along with the training of the Accounts Payable Clerk. Online and paper applications are received sporadically after the beginning of each school year, but with training happening now, we will be ready to tackle the larger influx of applications that will happen with the start of SY24/25 in August 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/>.