

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MADISON-GRANT UNITED SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**  
03/12/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bengamin Mann	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Scott Deetz Dr. Steven Vore	07-01-21 to 06-30-23 07-01-23 to 06-30-24
President of the School Board	Mary Jo Brunt	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 MADISON-GRANT UNITED SCHOOL  
CORPORATION, GRANT 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 Madison-Grant United 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 February 21, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Report on Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be material weaknesses.

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

***Report on Compliance and Other Matters***

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

***Madison-Grant United 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

February 21, 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 MADISON-GRANT UNITED SCHOOL CORPORATION, GRANT COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

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

**Basis for Opinion on Each 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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002, 2023-004, 2023-005, 2023-007, and 2023-009. Our opinion on each major federal program is not modified with respect to these matters.

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

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

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, and 2023-009 to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated February 21, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 21, 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.

MADISON-GRANT UNITED 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2022	\$ -	\$ 128,915	\$ -	\$ -
School Breakfast Program			FY 2023	-	-	-	116,149
Total - School Breakfast Program				-	128,915	-	116,149
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2022	-	472,991	-	-
National School Lunch Program			FY 2023	-	-	-	416,906
Commodities			FY 2022, FY2023	-	68,198	-	50,475
After School Snack Program			FY 2022	-	2,012	-	-
After School Snack Program			FY 2023	-	-	-	4,937
Supply Chain Assistance			FY 2023	-	-	-	78,122
Total - National School Lunch Program				-	543,201	-	550,440
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service for Children			FY 2022	-	28,442	-	-
Summer Food Service for Children			FY 2023	-	-	-	2,511
Total - Summer Food Service Program for Children				-	28,442	-	2,511
Total - Child Nutrition Cluster				-	700,558	-	669,100
COVID-19 - Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs Funds			FY 2022, FY2023	-	614	-	628
Total - Department of Agriculture				-	701,172	-	669,728
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grants to States			20611-019-PN01	-	8,274	-	-
Special Education Grants to States			21611-019-PN01	-	147,617	-	14,064
Special Education Grants to States			22611-019-PN01	-	257,016	-	17,540
Special Education Grants to States			23611-019-PN01	-	-	-	286,097
Subtotal - Special Education Grants to States				-	412,907	-	317,701
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X					
FY22 American Rescue Plan 611			22611-019-ARP	-	2,190	-	30,427
Total - Special Education Grants to States				-	415,097	-	348,128

MADISON-GRANT UNITED 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Grants to States			21619-019-PN01	-	8,671	-	-
Special Education Grants to States			23619-019-PN01	-	-	-	9,445
Subtotal - Special Education Preschool Grants				-	8,671	-	9,445
COVID-19 - Special Education Preschool Grants FY22 American Rescue Plan 619	Indiana Department of Education	84.173X	22619-019-ARP	-	364	-	-
Total - Special Education Preschool Grants				-	9,035	-	9,445
Total - Special Education Cluster (IDEA)				-	424,132	-	357,573
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Grants to LEAs			S010A190014	-	167	-	-
Title I Grants to LEAs			S010A200014	-	81,782	-	-
Title I Grants to LEAs			S010A210014	-	177,014	-	60,863
Title I Grants to LEAs			S010A220014	-	-	-	202,916
Total - Title I Grants to Local Educational Agencies				-	258,963	-	263,779
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A Improving Teacher Quality State Grants			S367A210013	-	43,904	-	-
Title II A Improving Teacher Quality State Grants			S367A220013	-	-	-	45,784
Total - Supporting Effective Instruction State Grants				-	43,904	-	45,784
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV A Student Support & Academic Enrichment Grant			S424A190015	-	22,264	-	-
Title IV A Student Support & Academic Enrichment Grant			S424A200015	-	16,470	-	3,711
Title IV A Student Support & Academic Enrichment Grant			S424A210015	-	4,250	-	7,594
Title IV A Student Support & Academic Enrichment Grant			S424A220015	-	-	-	4,350
Total - Student Support and Academic Enrichment Program				-	42,984	-	15,655
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief Fund		84.425C	S425C200018	-	95,629	-	-
Cares Act Grant		84.425D	S425D200013	-	71,182	-	-
ESSER II		84.425D	S425D210013	-	734,144	-	253,921
ESSER III		84.425U	S425U210013	-	417,732	-	517,866
Total - COVID-19 - Education Stabilization Fund				-	1,318,687	-	771,787
Total - Department of Education				-	2,088,670	-	1,454,578
Total federal awards expended				\$ -	\$ 2,789,842	\$ -	\$ 2,124,306

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

MADISON-GRANT UNITED 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. Grant County Special Education Cooperative**

The School Corporation is a member of the Grant County 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's fiscal agent.

**Note 4. GEER I Fiscal Agent**

The School Corporation was a participant in a joint application with other Local Education Agencies (LEAs) to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. The School Corporation serves as the fiscal agent for the grant. As a result, some of the activity for the GEER award that is presented as receipts and disbursements on the financial statement is not presented as federal awards expended on the SEFA for the School Corporation. This activity is reported on the SEFAs of each participating LEA as appropriate.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
	COVID-19 - Education Stabilization Fund	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: 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 2021-002.

*Condition and Context*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Chief Financial Officer prepared and entered the federal award information into Gateway, and the Deputy Treasurer 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 COVID-19 - Education Stabilization Fund expenditures were understated by \$71,022 and \$175,776 for fiscal years 2021-2022 and 2022-2023, respectively.
- Four additional grants had individually immaterial errors which resulted in misstatements of expenditures of \$85,830, in total.
- Additional errors included incorrect program names, pass-through entities, and Assistance Listings 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; . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2023-002**

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

*Repeat Finding*

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-007.

*Condition and Context*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not have internal controls in place over payroll disbursements charged to the food service program. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

Additionally, a sample of 29 payroll charges were selected for testing. For 3 of the payroll charges selected, timesheets could not be provided for the employees paid within that charge. As such, we could not substantiate the amount paid, \$7,298, to these employees out of the grant funds. This amount was considered questioned costs.

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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

*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 control, 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, payroll charges could not be substantiated.

*Questioned Costs*

Known questioned costs of \$7,298 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls, and develop policies and procedures to ensure costs are adequately documented.

*Views of Responsible Officials*

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

***Finding 2023-003***

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
Assistance Listings Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Activities Allowed or Unallowed  
Audit Finding: Material Weakness

*Condition and Context*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not have internal controls in place over payroll disbursements charged to the food service program. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2023-004**

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

*Repeat Finding*

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-009.

*Condition and Context*

The School Corporation had not properly designed or implemented an effective system of internal controls to prevent, or detect and correct, noncompliance.

*Procurement*

A School Nutrition Cooperative (Co-ops, Education Service Center, Group Purchasing Organization, etc.) that would like to be classified as a School Food Authority (SFA) Cooperative must complete a questionnaire and submit it to the Indiana Department of Education (IDOE). Once a questionnaire is received, the IDOE will review the answers to determine a Cooperative's classification. Only Cooperatives that submit the questionnaire and receive a SFA only Cooperative classification from the IDOE in writing will be considered a SFA only Cooperative for the purposes of the procurement process and procurement reviews.

When the value of goods or services exceeds the simplified acquisition threshold, the proper purchasing method would be the bidding process, unless the purchase meets certain other qualifications. Federal regulations allow for informal procurement methods when the value of the procurement for goods or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources. If it is determined a single source provider can be used for a small purchase, documentation must be retained supporting the determination.

The School Corporation purchased milk through Region 8 Education Service Center (Region 8). However, Region 8 had not received the SFA-only Cooperative classification from the IDOE for fiscal years 2021-2022 and 2022-2023. As such, the School Corporation could not rely on the procurement done by Region 8. Region 8 could be considered one quote for procurement; however, the School Corporation did not obtain any other quotes related to the purchase of milk, therefore, an adequate number of quotes from qualified sources was not obtained.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Suspension and Debarment*

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation noted that vendors were checked against SAM.Gov and verified to not be suspended or debarred. Four covered transactions that equaled or exceeded \$25,000 were identified. All four transactions, totaling \$213,795, were selected for testing. For three of the four vendors, the School Corporation did not verify the vendor's suspension and debarment status prior to payment. The total amount spent with the three vendors was \$122,034.

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 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

(2) *Small purchases –*

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

2CFR 180.300 states:

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

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

*Cause*

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

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, procurement procedures for goods and services were not adhered to and vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the 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.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2023-005**

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, COVID-19 - Special Education Grants to States,  
Special Education Preschool Grants, COVID-19 - Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X

Federal Award Numbers and Years (or Other Identifying Numbers): 20611-019-PN01, 21611-019-PN01,  
22611-019-PN01, 23611-019-PN01,  
22611-019-ARP, 21619-019-PN01,  
23619-019-PN01, 22619-019-ARP

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The Individuals with Disabilities Act (IDEA) Special Education - Grants to States program provides grant to states, and through them to Local Educational Agencies (i.e., the School Corporation), to assist them in providing special education and related services to eligible children with disabilities ages three to twenty-one. The IDEA's Special Education - Preschool Grants program provides grants to states, and through them to the Local Educational Agencies to assist them in providing special education and related services to children with disabilities ages three to five and, at the state's discretion, to two-year-old children with disabilities who will turn three during the school year.

The School Corporation did not have internal controls in place over payroll disbursements made from the special education funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

Additionally, a sample of 30 payroll claims were selected for testing. For 5 of the payroll claims selected for testing, timesheets could not be provided. As such, we could not substantiate the amount paid, \$3,047, to these employees out of the grant funds. This amount was considered questioned costs.

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:

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

*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 control, and procedures should consist of actions that would implement these policies.

MADISON-GRANT UNITED SCHOOL CORPORATION  
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, payroll charges could not be substantiated.

*Questioned Costs*

Known questioned costs of \$3,047 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls, and develop policies and procedures to ensure costs are adequately documented.

*Views of Responsible Officials*

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

**FINDING 2023-006**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Period of Performance

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, COVID-19 - Special Education Grants to States,  
Special Education Preschool Grants, COVID-19 - Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X

Federal Award Numbers and Years (or Other Identifying Numbers): 20611-019-PN01, 21611-019-PN01,  
22611-019-PN01, 23611-019-PN01,  
22611-019-ARP, 21619-019-PN01,  
23619-019-PN01, 22619-019-ARP

Compliance Requirements: Activities Allowed or Unallowed, Period of Performance

Audit Finding: Material Weakness

*Condition and Context*

The Individuals with Disabilities Act (IDEA) Special Education - Grants to States program provides grant to states, and through them to Local Educational Agencies (i.e., the School Corporation), to assist them in providing special education and related services to eligible children with disabilities ages three to twenty-one. The IDEA's Special Education - Preschool Grants program provides grants to states, and through them to the Local Educational Agencies to assist them in providing special education and related services to children with disabilities ages three to five and, at the state's discretion, to two-year-old children with disabilities who will turn three during the school year.

The School Corporation had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance.

*Activities Allowed or Unallowed*

The School Corporation did not have internal controls in place over payroll disbursements charged to the special education grants. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Period of Performance*

A payroll journal report was generated by the Payroll/Benefits Coordinator and reviewed and approved by the Chief Financial Officer or the Deputy Treasurer to ensure costs charged to the special education grants were within the period of performance. However, there was no documented evidence of the review.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2023-007**

Subject: COVID-19 - Education Stabilization Fund - Allowable Costs/Cost Principles  
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: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The Elementary and Secondary School Emergency Relief (ESSER) Fund provided funding to states and school districts to combat the effects of the coronavirus, help safely reopen and sustain the safe operation of schools, and to address the impact of the coronavirus pandemic on the nation's students. States were required to subgrant a portion of their ESSER allocation to Local Educational Agencies (LEA). Prior to the LEAs receiving their respective subgrants, the LEAs were required to complete an application for ARP ESSER funding, which was submitted to the Indiana Department of Education, the pass-through entity for approval. The application included a district level budget identifying how the LEA intended to spend program funds.

The School Corporation did not have internal controls in place over payroll disbursements charged to the ESSER grant funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

Additionally, a sample of 40 payroll disbursements were selected for testing. For 1 payroll disbursement selected for testing, the employee's timesheet could not be provided. As such, we could not substantiate the amount paid, \$1,094, out of the grant funds. This amount was considered questioned costs.

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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

*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 control, 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, payroll charges could not be substantiated.

*Questioned Costs*

Known questioned costs of \$1,094 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure costs are adequately documented.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2023-008**

Subject: COVID-19 - Education Stabilization Fund - Activities Allowed or Unallowed

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: Activities Allowed or Unallowed

Audit Finding: Material Weakness

*Condition and Context*

The Elementary and Secondary School Emergency Relief (ESSER) Fund provided funding to states and school districts to combat the effects of the coronavirus, help safely reopen and sustain the safe operation of schools, and to address the impact of the coronavirus pandemic on the nation's students. States were required to subgrant a portion of their ESSER allocation to Local Education Agencies (LEA). Prior to the LEAs receiving their respective subgrants, the LEAs were required to complete an application for ARP ESSER funding, which was submitted to the Indiana Department of Education, the pass-through entity for approval. The application included a district level budget identifying how the LEA intended to spend program funds.

The School Corporation did not have internal controls in place over payroll disbursements charged to the ESSER grant funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

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). . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION  
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 control, 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.

**FINDING 2023-009**

Subject: COVID-19 - Education Stabilization Fund - Reporting  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Number: 84.425D  
Federal Award Number and Year (or Other Identifying Number): S425D200013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit an annual data report to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports. The annual data reports were prepared by the Chief Financial Officer and reviewed by a second knowledgeable individual; however, this process did not allow for the prevention, or detection and correction, of errors prior to submission.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Due to the lack of effective internal controls, one of the six annual data reports was not supported by the School Corporation's records. For the ESSER 1, Year 2 report, which covered the period of October 1, 2020 to June 30, 2021, the School Corporation's records did not support the data reported. The total expenditures were not correct and the key line item did not match to the records of the unit.

The lack of internal controls and noncompliance were isolated to the ESSER I, Year 2 report.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

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

. . .

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

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

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

*Cause*

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

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the ESSER I, Year 2 report was not supported by the School Corporation's 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.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure that all expenditures are reported on the reports submitted on behalf of the COVID-19 - Education Stabilization Fund program funds.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



# **MADISON-GRANT UNITED SCHOOL CORPORATION**

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Kristy Drewitz, Transportation

Allison McGuire, Payroll/Benefits

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Treasurer

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2021-001**

**Fiscal year in which the finding initially occurred:** FY18-FY19

**Current Audit Period:** FY22-FY23

**Finding Subject:** Financial Transactions and Financial Close and Reporting

**Summary of Finding:** Material Weakness, Noncompliance

*Condition and Context:* There were deficiencies in the internal control system of the School Corporation related to cash and investments, receipts, disbursements, financial account balances, and reporting. Procedures noted below were recommendations to the finding.

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



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Treasurer

## **FINDING 2021-002**

**Fiscal year in which the finding initially occurred:** FY18-FY19

**Current Audit Period:** FY22-FY23

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

**Summary of Finding:** Material Weakness, Noncompliance

*Condition and Context:* The School Corporation had not established effective 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 Schedule of Expenditures of Federal Awards (SEFA). The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. The officials prepared the federal award information, but there was no evidence of a review after the information was submitted.

**Status of Audit Finding:** Not Corrected

*Condition and Context:* The CFO builds the SEFA. The Grants Coordinator spot checks and signs off on the SEFA. The SEFA is presented to the Board of Education as part of the Annual Financial Report approval process. The CFO uploads the AFR to Gateway. The Deputy Treasurer signs off on the upload. Should a change have to be made to the SEFA after board approval, then supporting documentation of the change is filed by the CFO and signed off on by the CFO and Deputy Treasurer.

**Response Comments:** We continue to work to become more knowledgeable in the SEFA report. Varying feedback from different audit teams has created confusion. We will utilize our network of business officials to cross reference our data.



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## **FINDING 2021-003**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Title I Grants to Local Educational Agencies – Special Tests and Provisions – Participation of Private School Children

**Summary of Finding:** Material Weakness, Other Matters

*Condition and Context:* The School Corporation had not designed and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement. The School Corporation did not ensure that planned services for private school students were provided. The School Corporation was to provide services to one private school per the grant application; however, the planned services were not provided.

**Status of Audit Finding:** Partially Corrected

*Condition and Context:* Private school expenditures are submitted through the district's Title I Coordinator for approval. That individual approves them for payment and pass along to be processed under the district's claim processing procedures. We continue to encourage the private school to expend the allocations they are permitted and appropriate expenditures are monitored by the Title I Coordinator and CFO. All correspondence with non-public school will be maintained for audit purposes.

**Response Comments:** We still have significant difficulty in getting a response from the private school.



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## **FINDING 2021-004**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Title I Grants to Local Educational Agencies – Matching, Level of Effort, Earmarking; Reporting Federal Agency: Department of Education

**Summary of Finding:** Material Weakness, Other Matters

*Condition and Context:* An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements. The School Corporation had not designed or implemented adequate policies and procedures to ensure the accurate reporting of Form 9 data submitted to the Indiana Department of Education (IDOE). The Form 9 data was utilized by the IDOE to calculate Maintenance of Effort and to complete State Per Pupil Expenditure (SPPE) Data reporting.

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



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## **FINDING 2021-005**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Title I Grants to Local Educational Agencies – Activities Allowed and Unallowed, Allowable Costs/Cost Principles

### **Summary of Finding: Material Weakness**

*Condition and Context:* An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed and Unallowed, and the Allowable Costs/Cost Principles compliance requirements. The School Corporation did not have internal controls in place over employer benefit disbursements. Employer benefit disbursements were paid without evidence of review and approval by a person not involved in the original disbursement process.

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



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## **FINDING 2021-006**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Title I Grants to Local Educational Agencies – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Reporting

### **Summary of Finding: Material Weakness, Other Matters**

*Condition and Context:* The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Reporting compliance requirements. The School Corporation had not established internal controls to ensure that requests for reimbursement (requests) were supported by adequate documentation. For 2 of 15 requests tested, supporting documentation to verify the amounts requested was not provided. Alternate records and procedures were used to compute and materially verify the amounts submitted for reimbursement. Additionally, there were 2 instances in which the School Corporation requested reimbursements using an estimated amount based on the Title I budget versus actual expenditures. Additionally, although the reports were reviewed and approved by an official other than the preparer, the documentation provided to the reviewer lacked sufficient detail for the reviewer to effectively review and verify the reports.

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



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## **FINDING 2021-007**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Child Nutrition Cluster – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Program Income

**Summary of Finding:** Material Weakness

*Condition and Context:* An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Program Income compliance requirements. The School Corporation did not have internal controls in place over employer benefit disbursements. Employer benefit disbursements were paid without evidence of review and approval by a person not involved in the original disbursement process. The School Corporation had not designed or implemented adequate internal controls to ensure that food service collections were properly summarized and recorded in the School Lunch fund. The Food Service Director prepared a spreadsheet of transfers and the information from Meals Plus, the Schools' point of sales software, to determine the amount of the food service collections. However, the personnel in the Central Office did not complete a verification of the supporting documentation to ensure accuracy prior to recording the program income.

**Status of Audit Finding:** Not Corrected

**Response Comments:** The CFO now reviews the Org Charge report as part of payroll procedures prior to the batch being sent to the bank. The board also now receives the entire Org Charge report as part of their claims rather than a summary of the payroll.



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## **FINDING 2021-008**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Child Nutrition Cluster – Eligibility

**Summary of Finding:** Material Weakness

*Condition and Context:* An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement. The Food Service Director researched and prepared a list of direct certifications or an individual page for a direct certification. The list of direct certifications was then reviewed and approved by another individual. However, the individual pages, for an individual student, were not always included in the direct certification listing and they were not reviewed or approved for accuracy.

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



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## **FINDING 2021-009**

**Fiscal year in which the finding initially occurred:** FY18-FY19

**Current Audit Period:** FY22-FY23

**Finding Subject:** Child Nutrition Cluster – Suspension and Debarment

**Summary of Finding:** Material Weakness, Other Matters

*Condition and Context:* An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Food Service Director's salary is split between two School Corporations - Eastbrook School Corporation and the School Corporation. Eastbrook Community School Corporation invoices the School Corporation for 50 percent of the Food Service Director's salary. The School Corporation did not perform the required suspension and debarment procedures with respect to the annual contractual arrangement for Food Service Director's service to ensure Eastbrook Community School Corporation was not suspended or debarred from participation in federal awards.

**Status of Audit Finding:** Not Corrected

*Condition and Context:* Prior to the renewal of the Food Service Director contract, the CFO ensures that Eastbrook Community Schools is not suspended or debarred from participation in federal awards. This check is completed on the sam.gov website and the documentation is included with the contract when approved by the board.

**Response Comments:** Before purchasing goods that total \$25,000 or more from a vendor, the Food Service Director will look up the vendor on sam.gov for debarment activity.



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## **FINDING 2021-010**

**Fiscal year in which the finding initially occurred:** FY20-FY21

**Current Audit Period:** FY22-FY23

**Finding Subject:** Child Nutrition Cluster – Suspension and Debarment

**Summary of Finding:** Material Weakness, Other Matters

*Condition and Context:* An effective system of internal control was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation was a member of the Region 8 Educational Service Center (Service Center). The Service Center completed the Procurement and Suspension and Debarment compliance requirements on behalf of the School Corporation. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The bids for bread and milk were originally awarded for fiscal year 2018-2019 and were renewed for 2020-2021. The Service Center could not provide documentation that procedures were performed to verify the vendors were not suspended or debarred from participation in federal programs prior to entering into covered transactions with these vendors.

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



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## CORRECTIVE ACTION PLAN

### **FINDING 2023-001**

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

**Summary of Finding:** Material Weakness, Noncompliance

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

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

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

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** We will include supporting documentation that confirms the data we have entered into the SEFA. This data will be reviewed by both the CFO and Deputy Treasurer.

**Anticipated Completion Date:** FY2024 SEFA report



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## **FINDING 2023-002**

**Finding Subject:** Child Nutrition Cluster – Allowable Costs/Cost Principles

**Summary of Finding:** Material Weakness, Other Matters

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

The School Corporation did not have internal controls in place over payroll disbursements charged to the food service program. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding

**Description of Corrective Action Plan:** The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024.



# **MADISON-GRANT UNITED SCHOOL CORPORATION**

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## **FINDING 2023-003**

**Finding Subject:** Child Nutrition Cluster – Activities Allowed or Unallowed

**Summary of Finding:** Material Weakness

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

The School Corporation did not have internal controls in place over payroll disbursements charged to the food service program. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Contact Person Responsible for Corrective Action:** Benjamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding

**Description of Corrective Action Plan:** The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024



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Treasurer

## FINDING 2023-004

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

**Summary of Finding:** Material Weakness, Other Matters

The School Corporation had not properly designed or implemented an effective system of internal controls to prevent, or detect and correct, noncompliance.

**Procurement:** A School Nutrition Cooperative (Co-ops, Education Service Center, Group Purchasing Organization, etc.) that would like to be classified as a School Food Authority (SFA) Cooperative must complete a questionnaire and submit it to the Indiana Department of Education (IDOE). Once a questionnaire is received IDOE will review the answers to determine a Cooperative's classification. Only Cooperatives that submit the questionnaire and receive a SFA-only Cooperative classification from IDOE in writing will be considered a SFA only Cooperative for the purposes of the procurement process and procurement reviews. When the value of goods or services exceeds the simplified acquisition threshold, the proper purchasing method would be the bidding process, unless the purchase meets certain other qualifications. Federal regulations allow for informal procurement methods when the value of the procurement for goods or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources. If it is determined a single source provider can be used for a small purchase, documentation must be retained supporting the determination. The School Corporation purchased milk through Region 8 Education Service Center (Region 8). However, Region 8 had not received the SFA-only Cooperative classification from IDOE for fiscal years 2021–2022 and 2022-2023. As such, the School Corporation could not rely on the procurement done by Region 8. Region 8 could be considered one quote for procurement; however, the School Corporation did not obtain any other quotes related to the purchase of milk, therefore, an adequate number of quotes from qualified sources was not obtained.

**Suspension and Debarment:** Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to contracts for goods and services awarded under a non-procurement transaction (i.e. grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.



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Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation noted that vendor's were checked against Sam. Gove and verified to not be suspended or debarred. Four covered transactions that equaled or exceeded \$25,000 were identified. All for transactions, totaling \$213,795, were selected for testing. For three of the four vendors, the School Corporation did not verify the vendor's suspension and debarment status prior to payment. The total amount spent with the three vendors was \$162,733.

**Contact Person Responsible for Corrective Action:** Kathy Bernaix

**Contact Phone Number and Email Address:** 765-536-0008 kbernaix@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Procurement: Three quotes will be requested for "small purchases" and the process will be reviewed to ensure it is performed. Suspension and Debarment: Before purchasing goods that total \$25,000 or more from a vendor, the Food Service Director will look up the vendor on SAM.gov for debarment activity.

**Anticipated Completion Date:** February 2024



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## **FINDING 2023-005**

**Finding Subject:** Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

**Summary of Finding:** Material Weakness, Other Matters

The Individuals with Disabilities Act (IDEA) Special Education – Grants to States program provides grant to states, and through them to Local Educational Agencies (i.e. the School Corporation), to assist them in providing special education and related services to eligible children with disabilities ages 3-21. IDEA's Special Education – Preschool Grants program provides grants to states, and through them to LEAs to assist them in providing special education and related services to children with disabilities ages three to five and, at the state's discretion, to two-year-old children with disabilities who will turn three during the school year.

The School Corporation did not have internal controls in place over payroll disbursements made from the special education funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-661-8807 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Quarterly grant meetings will be held between the CFO, Deputy Treasurer, and Grant writer. This will ensure compliance requirements continue to be met. The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024



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Anna Richards, Corp Secretary/Deputy

Treasurer

*Inspire, Cultivate, and Promote excellence in every Argyll.*

## **FINDING 2023-006**

**Finding Subject:** Special Education Cluster (IDEA) – Activities Allowed or Unallowed, Period of Performance

### **Summary of Finding:** Material Weakness

The Individuals with Disabilities Act (IDEA) Special Education – Grants to States program provides grant to states, and through them to Local Educational Agencies (i.e. the School Corporation), to assist them in providing special education and related services to eligible children with disabilities ages 3-21. IDEA's Special Education – Preschool Grants program provides grants to states, and through them to LEAs to assist them in providing special education and related services to children with disabilities ages three to five and, at the state's discretion, to two-year-old children with disabilities who will turn three during the school year.

The School Corporation had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance.

**Activities Allowed or Unallowed:** The School Corporation did not have internal controls in place over payroll disbursements charged to the special education grants. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Period of Performance:** A payroll journal report was generated by the Payroll/Benefits Coordinator and reviewed and approved by the Chief Financial Officer or the Deputy Treasurer to ensure costs charged to the special education grants were within the period of performance. However, there was no documented evidence of the review.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Quarterly grant meetings will be held between the CFO, Deputy Treasurer, and Grant writer. This will ensure compliance requirements continue to be met. The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024



# **MADISON-GRANT UNITED SCHOOL CORPORATION**

Steve Vore., Superintendent

Ben Mann, Chief Financial Officer

Kristy Drewitz, Transportation

Allison McGuire, Payroll/Benefits

Anna Richards, Corp Secretary/Deputy

Treasurer

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## **FINDING 2023-007**

**Finding Subject:** Education Stabilization Fund – Allowable Costs/Cost Principles

**Summary of Finding:** Material Weakness, Other Matters

The Elementary and Secondary School Emergency Relief (ESSER) Fund provided funding to States and school districts to combat the effects of the coronavirus, help safely reopen and sustain the safe operation of schools, and to address the impact of the coronavirus pandemic on the nation's students. States were required to subgrant a portion of their ESSER allocation to local educational agencies (LEA). Prior to LEAs receiving their respective subgrants, LEAs were required to complete an application for ARP ESSER funding, which was submitted to the Indiana Department of Education (IDOE), the pass-through entity for approval. The application included a district level budget identifying how the LEA intended to spend program funds.

The School Corporation did not have internal controls in place over payroll disbursements charged to the ESSER grant funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** Quarterly grant meetings will be held between the CFO, Deputy Treasurer, and Grant writer. This will ensure compliance requirements continue to be met. The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024



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*Kristy Drewitz, Transportation*

*Allison McGuire, Payroll/Benefits*

*Anna Richards, Corp Secretary/Deputy*

*Treasurer*

## **FINDING 2023-008**

**Finding Subject:** Education Stabilization Fund - Activities Allowed or Unallowed

### **Summary of Finding:** Material Weakness

The Elementary and Secondary School Emergency Relief (ESSER) Fund provided funding to States and school districts to combat the effects of the coronavirus, help safely reopen and sustain the safe operation of schools, and to address the impact of the coronavirus pandemic on the nation's students. States were required to subgrant a portion of their ESSER allocation to local educational agencies (LEA). Prior to LEAs receiving their respective subgrants, LEAs were required to complete an application for ARP ESSER funding, which was submitted to the Indiana Department of Education (IDOE), the pass-through entity for approval. The application included a district level budget identifying how the LEA intended to spend program funds.

The School Corporation did not have internal controls in place over payroll disbursements charged to the ESSER grant funds. Payroll disbursements were paid without evidence that the detailed report of payroll disbursements was reviewed and approved by another person not involved in the original payroll process.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding

**Description of Corrective Action Plan:** Quarterly grant meetings will be held between the CFO, Deputy Treasurer, and Grant writer. This will ensure compliance requirements continue to be met. The CFO now reviews the Org Charge report and signs off before the payroll batch being released to the bank. This report is generated by Payroll and Benefits. Also, this entire report is now included with board claims for board approval rather than a final summary sheet.

**Anticipated Completion Date:** February 2024



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*Anna Richards, Corp Secretary/Deputy*

*Treasurer*

## **FINDING 2023-009**

**Finding Subject:** Education Stabilization Fund - Reporting

**Summary of Finding:** Material Weakness, Other Matters, Qualified Opinion

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit an annual data report to the Indiana Department of Education (IDOE) via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

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 annual data reports were prepared by the Chief Financial Officer and reviewed by a second knowledgeable individual; however, this process did not allow for the prevention, or detection and correction of errors prior to submission.

Due to the lack of effective internal controls, one of the six annual data reports was not supported by the School Corporation's records. For the ESSER 1, Year 2 report, which covered the period of October 1, 2020 to June 30, 2021, the School Corporation's records did not support the data in the report.

The lack of controls and noncompliance were isolated to the ESSER I, Year 2 report.

**Contact Person Responsible for Corrective Action:** Bengamin Mann

**Contact Phone Number and Email Address:** 765-536-0008 bmann@mgusc.k12.in.us

**Views of Responsible Officials:** We concur with the finding

**Description of Corrective Action Plan:** Supporting documentation of data reported will be retained with each report filed.

**Anticipated Completion Date:** February 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/>.