

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jackquan E. Gray	07-01-21 to 03-14-24
Superintendent of Schools	Dr. James Callane Craig Jernagan	07-01-21 to 05-31-23 06-01-23 to 06-30-24
President of the School Board	Robert Daine Allen Wilson	07-01-21 to 01-08-23 01-09-23 to 06-30-24



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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI 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 Maconaquah School Corporation (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 12, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

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

Maconaquah School Corporation's Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024



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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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

Qualified Opinion on Child Nutrition Cluster

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

Qualified Opinion on COVID-19 - Education Stabilization Fund

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

Unmodified Opinion on the Other Major Federal Program

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

Basis for Qualified and Unmodified Opinions

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

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)

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.

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in Item 2023-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-006 for Reporting and 2023-007 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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)

- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

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

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

Report on Internal Control over Compliance

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

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

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)

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

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

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

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

MACONAQUAH 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			FY2023	\$ -	\$ -	\$ -	\$ 284,339
School Breakfast			FY2022	-	276,054	-	-
Total - School Breakfast Program				-	276,054	-	284,339
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY2023	-	-	-	816,614
Commodities			FY2022	-	873,436	-	-
Commodities			FY2023	-	129,309	-	-
SNP Emergency Funds			FY2023	-	-	-	89,745
Supply Chain Assistance			FY2022	-	94,635	-	-
			FY2023	-	-	-	100,957
Total - National School Lunch Program				-	1,097,380	-	1,007,316
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559					
			FY2022	-	29,473	-	-
Total - Summer Food Service Program for Children				-	29,473	-	-
Total - Child Nutrition Cluster				-	1,402,907	-	1,291,655
Total - Department of Agriculture				-	1,402,907	-	1,291,655
<u>Department of Energy</u>							
State Energy Program							
OED RURAL ENERGY INNOVATION GRANT	Indiana Office of Energy Development	81.041					
			DE-EE0008647	-	33,200	-	-
Total - Department of Energy				-	33,200	-	-
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY2019 Federal Part B	Indiana Department of Education	84.027					
FY2020 Federal Part B			19611-033-PN01	-	2,337	-	-
FY2021 Federal Part B			20611-033-PN01	-	5,841	-	-
FY2022 IDEA ARP			21611-033-PN01	-	308,818	-	9,486
FY2022 Federal Part B			22611-033-ARP	-	6,166	-	86,914
FY2023 FEDERAL PART B 611			22611-033-PN01	-	193,922	-	315,262
			23611-033-PN01	-	-	-	105,117
Total - Special Education Grants to States				-	517,084	-	516,779
Special Education Preschool Grants							
FY2021 Federal Preschool 619	Indiana Department of Education	84.173					
FY2022 FEDERAL PRESCHOOL 619			21619-033-PN01	-	23,150	-	-
			22619-033-PN01	-	-	-	1,278
Total - Special Education Preschool Grants				-	23,150	-	1,278
Total - Special Education Cluster (IDEA)				-	540,234	-	518,057

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
TITLE I FY 21			S010A190014	-	35,245	-	-
TITLE I FY 21			S010A200014	-	137,341	-	-
TITLE I FY 22			S010A210014	-	290,639	-	105,122
TITLE I FY 23			S010A220014	-	-	-	258,247
Total - Title I Grants to Local Educational Agencies				-	463,225	-	363,369
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
FY2020 TITLE II PT A SUPPORTING EFFECTIVE INSTRUCTION			S367A200013	-	-	-	84,340
FY2021 TITLE II-PT A SUPPORTING EFFECTIVE INSTRUCTION			S367A210013	-	-	-	62,810
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	-	-	147,150
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
TITLE IV PT A FY21 STUDENT SUPPORT			S424A210015	-	-	-	16,425
TITLE IV PT A INNOVATION GRANT			S424A180015	-	12,491	-	-
TITLE IV PT A FY 20 STUDENT SUPPORT			S424A200015	-	30,661	-	3,242
TITLE IV PT A FY22 STUDENT SUPPORT			S424A220015	-	-	-	8,000
Total - Student Support and Academic Enrichment Program				-	43,152	-	27,667
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
EXPLORE ENGAGE EXPERIENCE 3E GRANT		84.425U	7000S425U210013	-	-	-	103,622
TOMORROWS WORKFORCE PARTNERSHIPS FOR BROADENING COLLEGE AND CAREER PATHWAYS		84.425U	7000S425U210013	-	-	-	21,739
Cares Act ESSER		84.425D	S425D200013	-	259,353	-	-
ESSER II		84.425D	S425D210013	-	985,565	-	511,063
ESSER III		84.425U	S425U210013	-	363,543	-	656,836
Total - COVID-19 - Education Stabilization Fund				-	1,608,461	-	1,293,260
Total - Department of Education				-	2,655,072	-	2,349,503
<u>Department of Homeland Security</u>							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036					
COVID-19 - BACK TO SCHOOL FUNDING			4515DRINP0000001	-	32,039	-	-
Total - Department of Homeland Security				-	32,039	-	-
Total federal awards expended				\$ -	\$ 4,123,218	\$ -	\$ 3,641,158

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

MACONAQUAH 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. Kokomo Area Special Education Cooperative

The School Corporation is a member of the Kokomo Area Special Education Cooperative (Cooperative). 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.

MACONAQUAH 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
84.010	Child Nutrition Cluster	Qualified
84.425	Title I Grants to Local Educational Agencies	Unmodified
	COVID-19 - Education Stabilization Fund	Qualified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

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

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

Condition and Context

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

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation filed its reports as prescribed; however, the School Corporation had not established 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). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA. One employee prepared and entered the federal award information into Gateway without evidence of an oversight or review.

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

- The National School Lunch Program expenditures were understated by \$524,305 in fiscal year 2022-2023.
- Additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$605,724, in total.
- Other errors included incorrect program names, pass-through entities, federal Assistance Listings Numbers, and identifying numbers.

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

Criteria

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

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

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; . . ."

MACONAQUAH 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:

MACONAQUAH 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 a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

FINDING 2023-002

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

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 reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the School Corporation had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement. The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the financial statement.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

- The Bank to Bank Transfer fund receipts and disbursements, which represented transfers between bank accounts, was included in the Annual Financial Report transactions. This overstated both receipts and disbursements by \$8,664,603 and \$8,928,569 for fiscal years 2021-2022 and 2022-2023, respectively.
- Four additional funds had individually immaterial errors that resulted in combined misstatements of receipts and disbursements of \$809,413 and \$1,797,176, respectively.

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

Criteria

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner 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](#)."

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

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

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

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

Cause

Management of the School Corporation had not established a system of internal controls that would have ensured proper reporting of the financial statement.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance related to the eligibility determination of a child receiving meals.

Any child enrolled in a participating school who meets the applicable program's definition of "child," may receive meals under the applicable program. In the case of the National School Lunch Program and School Breakfast Program, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at a reduced price. Children who have been determined ineligible for free or reduced-price school meals pay the full price, set by the School Food Authority, for their meals. As a general rule, a child's eligibility for free or reduced-price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies, institutions, and sponsors then determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. Additionally, a child may be direct certified. For a direct certification, annual eligibility determinations are based on the child's household receiving benefits under SNAP, FDPIR, the Head Start Program (ALN 93.600), or, under most circumstances, the TANF program (ALN 93.558). A household may furnish documentation of its participation in one of these programs; or the school, institution, or sponsor may obtain the information directly from the state or local agency that administers these programs. Certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts. Direct certified households do not need to complete an application.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Food Service Director was responsible for generating and reviewing the direct certification report. The Food Service Director downloaded the direct certification report from the Indiana Department of Education in July and then bi-monthly thereafter in fiscal year 2022-2023. The July report was provided to the Information Technology (IT) department to upload into the School Corporation's software system; whereas the bi-monthly reports were sent to the IT with a list of students to be added. Students were not removed during the year. There was no review or approval process over the initial upload or any additional uploads of direct certifications completed by the IT. In addition, there was no review or approval of the direct certification data provided by the Food Service Director to the IT Department to ensure the student's information added during the year is complete and accurate.

A sample of 40 students receiving free or reduced-priced lunches were selected for testing. Of the 40 students tested, the School Corporation could not provide documentation supporting the eligibility of the student for 10 students. Of the 30 remaining students, the School Corporation could not provide documentation that 1 student's benefits were calculated properly. Due to the lack of supporting documentation, we were unable to determine if student's receiving free and reduced-price meals were eligible to receive a free- or reduced-price meal.

In addition, there was no documented internal control to ensure that the eligibility parameters entered into the School Corporation's computer software system were correct. Eligibility parameters were entered into the system by one employee without an oversight or review process to verify the information entered was accurate.

The lack of internal controls and noncompliance was isolated to fiscal year 2022-2023.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 245.6(c)(4) states:

"Calculating income. The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2 and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

7 CFR 245.6(e) states:

"Recordkeeping. The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, student eligibility for free- or reduced-price meals could not be determined.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure student eligibility for free or reduced price meals is accurately determined and that all documentation is retained.

Views of Responsible Officials

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

MACONAQUAH 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): FY2022, FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 related to the purchase of goods and services that fell within the small purchase threshold or were considered covered transactions.

Procurement

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

The School Corporation had not designed or implemented internal controls, which would consist of policies and procedures, to ensure that proper procurement procedures for small purchases were followed. A population of eight small purchase vendors was identified. All eight were selected for testing. For all eight small purchases, totaling \$180,015, the School Corporation did not obtain price or rate quotes. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit.

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.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not designed or implemented internal controls, which would consist of policies and procedures, to ensure that vendors were not suspended or debarred prior to entering into a covered transaction. One covered transaction that equaled or exceeded \$25,000 was identified and selected for testing. Payments to the vendor, totaling \$81,295, were made without verifying if the vendor was suspended, debarred or otherwise excluded from participation in federal awards.

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 200.320 states in part:

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

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

(2) *Small purchases* –

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

2 CFR 180.300 states:

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

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 and implemented by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, price or rate quotes were not obtained for small purchases 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 provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a system of internal controls and develop policies and procedures to ensure rate or price quotes are obtained for small purchases and ensure 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: Child Nutrition Cluster - Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the prior audit report regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2021-003.

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 related to reimbursement requests and verification of free and reduced price applications.

Reporting

The School Corporation had not designed or implemented effective internal controls to ensure that reimbursement requests were accurately submitted. The reimbursement requests were prepared by one employee based on meals served without evidence of an oversight or review process to ensure they were accurate.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) (Applies to National School Lunch Program only)

The School Corporation had not designed or implemented effective internal controls to ensure the verification of free and reduced price applications were accurately completed. One employee selected and verified the required sample of approved free and reduced price applications without an oversight or review 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 and implemented by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

MACONAQUAH 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 non-compliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management 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 2023-006

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425U210013, S425D200013,
S425D210013

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

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include proper segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and 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 compiled, prepared, and submitted by one employee without documentation to support an oversight or review process to prevent, or detect and correct, errors.

In addition, the School Corporation was unable to provide supporting documentation for any of the information contained in the six reports submitted during the audit period. Ledgers and reimbursement requests were used to verify the information in three of the six reports; however, the other three reports could not be substantiated. The following errors were noted:

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- The ESSER II, Year 2 report was not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate.
- The ESSER III, Year 1 report was not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate.
- The ESSER III, Year 2 report was not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the three reports noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity

(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.

MACONAQUAH 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, ESSER reports were not supported by the School Corporation's records, were not accurate and complete, and were not mathematically accurate. Additionally, key line items were not supported by the records.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure supporting documentation is used and retained for all required reports submitted on behalf of the 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.

FINDING 2023-007

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425U210013, S425D200013,
S425D210013

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not include three of the six assets paid for with federal funds. The School Corporation utilized COVID-19 - Education Stabilization Fund awards, totaling \$153,484, to purchase an air handler unit, a generator, planter equipment, auto pilot software, a carpet cleaner, and a floor cleaner. The software, carpet cleaner, and floor cleaner were not included in the capital asset records. Additionally, the capital asset listing provided did not identify which assets were purchased with federal dollars, a serial number or other identification number, who holds title, the location of the asset, nor the use and condition of the property.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

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

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

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, assets purchased in whole or in part with federal dollars were not properly added to the School Corporation's asset listing. In addition, assets on the listing did not denote whether federal funds were used to acquire the asset and did not include a serial number or other identification number, who holds title, the location of the asset, nor the use and condition of the property.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

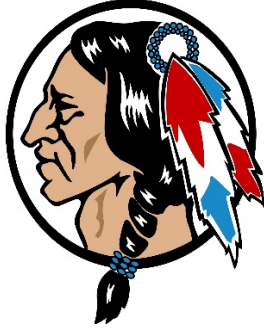
Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



FINDING 2021-001 and 2019-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Audit Findings: Material Weakness, Noncompliance

Current Audit Period: 07/01/2021 to 06/30/2023

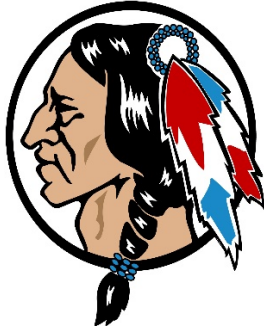
Fiscal year in which the finding initially occurred: 2019

Due to lack of controls, the SEFA presented for audit contained errors. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Status of Audit Findings: Partially corrected

Internal control activities will be utilized to prevent these errors from occurring in the future. The appropriate financial statements, including the expenditure reporting, the correct program titles will be utilized when reporting and the correct pass through entities will be reported also. The intent is for this to establish a system of internal controls which will result in proper reporting.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



FINDING 2019-002

Subject: Title I Grants to Local Educational Agencies Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Earmarking

Audit Findings: Material Weakness, Others Matters

Current Audit Period: 07/01/2021 to 06/30/2023

Fiscal year in which the finding initially occurred: 2017

Summary of Finding:

An effective internal control system was not in place at the school corporation in order to ensure compliance with the requirements related to the grant agreement and the activities allowed or unallowed, allowable costs/cost principles, and matching level of effort, and earmarking compliance requirements.

Status of Audit Finding: Corrected

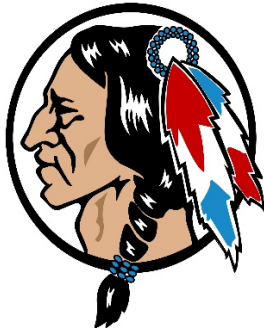
The approximate amount of extra time that is being spent for homeless transportation while driving this Route.

There is a breakdown of the driver's hourly rate and that is multiplied by the time that has been allotted for the specific homeless transportation pick up and drop off.

The hourly rate is then multiplied by the number of days that the driver has driven during the specific pay period.

This is done on an individual basis due to the fact that this homeless route can change at any given time.

Craig Jernagan
Superintendent
Maconaquah School Corporation



FINDING 2019-003

Subject: Title I Grants to Local Educational Agencies – Internal Controls

Audit Findings: Material Weakness

Current Audit Period: 07/01/2021 to 06/30/2023

Fiscal year in which the finding initially occurred: 2017

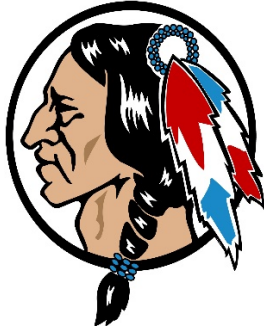
Summary of Finding:

An effective internal control system was not in place at the school corporation in order to ensure compliance with the requirements related to the grant agreement and the eligibility and special tests and Provisions: Annual report card, high school graduation rate compliance requirements

Status of Audit Finding: Corrected

There is now an internal control in place at the school buildings for the ADM count reports. The building count reports are verified and signed off that the students listed are active students. Whenever a student leaves the Corporation, the principals will review supporting documentation and sign off on the form confirming the student is no longer active.

Craig Jernagan
Superintendent
Maconaquah School Corporation



FINDING 2021-002

Subject: Financial Transactions and Reporting

Audit Findings: Material Weakness, Noncompliance

Current Audit Period: 07/01/2021 to 06/30/2023

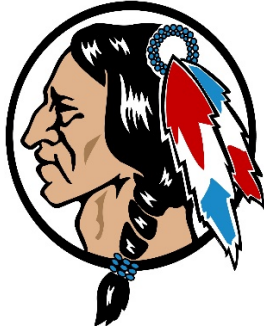
Fiscal year in which the finding initially occurred: 2021

Due to lack of controls, the AFR entered into Gateway will had errors reported due to transfers being reported in the AFR.

Status of Audit Findings: Partially corrected

The school corporation has established effective internal controls in order to correct errors such as this. The Bank Transfers on the AFR had been included as receipts and disbursements which overstated the amounts. The errors to the AFR that were previously stated have been corrected, and this error will also be corrected on the AFR upload to Gateway.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



FINDING 2021-003

Subject: Financial Transactions and Reporting

Child Nutrition Cluster-Cash Management, Special tests and provisions, verification of free and reduced price applications

Audit Findings: Material Weakness

Current Audit Period: 07/01/2021 to 06/30/2023

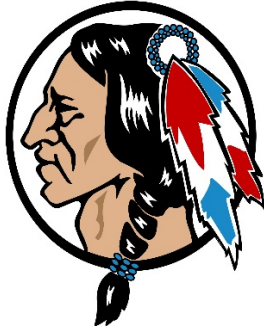
Fiscal year in which the finding initially occurred: 2021

The school corporation had not implemented effective internal controls to insure the reimbursement requests were accurately submitted.

Status of Audit Findings: Not Corrected

The school corporation changed cafeteria managers during this time period and had not effectively established internal controls over the verification of the Free and Reduced Price Applications and cash management for compliance requirements. The new cafeteria manager has been informed and will have herself and the cafeteria manager sign off.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



FINDING 2021-004

Subject: Financial Transactions and Reporting

Child Nutrition Cluster-Program Income

Audit Findings: Material Weakness, Others Matters

Current Audit Period: 07/01/2021 to 06/30/2023

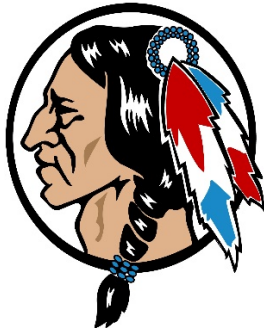
Fiscal year in which the finding initially occurred: 2021

An effective internal control was not in place to ensure compliance with the grant agreement and the Program Income compliance requirement. There were not effective internal controls in place to ensure that the program income was being properly assessed and recorded in the School Lunch Fund.

Status of Audit Findings: Corrected

The meals are now correctly charged for adult breakfast and lunch in order to comply with what has been adopted by the Maconaquah School Board of Trustees.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



FINDING 2021-005

Subject: Financial Transactions and Reporting

Title I Grants to Local Educational Agencies

Audit Findings: Material Weakness, Others Matters

Current Audit Period: 07/01/2021 to 06/30/2023

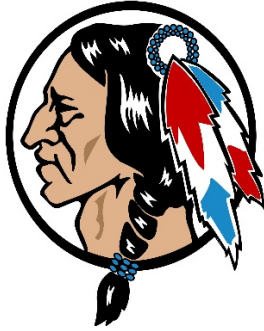
Fiscal year in which the finding initially occurred: 2021

An effective internal control was not in place to ensure compliance with the grant agreement and the Program Income compliance requirement as it relates to the requirements for the allowable costs/cost principles compliance.

Status of Audit Findings: Corrected

There is now supporting documentation for employees with personal activity reports and time and effort logs. There is also accurate reporting for the semi-annual certifications.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



FINDING 2021-006

Subject: Financial Transactions and Reporting

Title I Grants to Local Educational Agencies

Audit Findings: Material Weakness, Others Matters

Current Audit Period: 07/01/2021 to 06/30/2023

Fiscal year in which the finding initially occurred: 2019

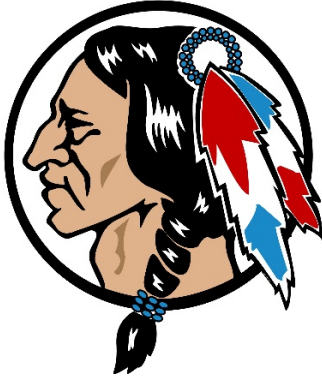
An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility and Special Tests and

Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Status of Audit Findings: Corrected

There is now an internal control in place at the school buildings for the ADM count reports. The building count reports are verified and signed off that the students listed are active students. Whenever a student leaves the Corporation, the principals will review supporting documentation and sign off on the form confirming the student is no longer active.

Jackquan E. Gray
Corporate Treasurer
Maconaquah School Corporation



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-001

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

Summary of Finding:

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. One employee prepared and entered the federal award information into Gateway without evidence of an oversight or review. Due to the lack of internal controls, the SEFA presented for audit included material errors.

Contact Person Responsible for Corrective Action: Jackquan E Gray

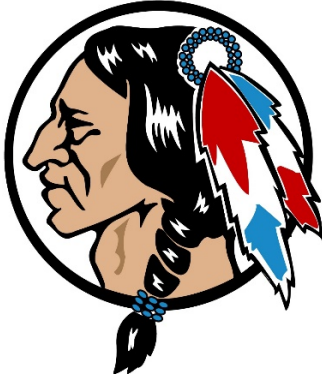
Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The National School Lunch Program expenditures and receipts had been understated and not reconciled accurately previous to our prior audit. This finding was immediately rectified by the cafeteria managers and the Treasurer. In order to do so, the account had to be reconciled and brought to an accurate starting point. This caused for the misstatements which should no longer occur from this audit period and going forward.

Anticipated Completion Date: August 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Due to the lack of effective internal controls, the financial statement presented for audit contained material errors.

Contact Person Responsible for Corrective Action: Jackquan E Gray

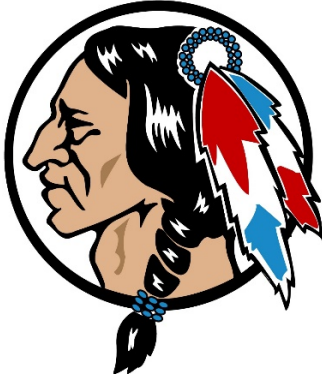
Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The bank to bank transfers will no longer be included in the Annual Financial Report which will resolve the overstatement of both receipts and disbursements.

Anticipated Completion Date: August 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Child Nutrition Cluster - Eligibility

Summary of Finding:

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 related to the eligibility determination of a child receiving meals. The School Corporation could not provide documentation supporting the eligibility for 10 of 40 students that received free or reduced-price meals for fiscal year 2022-2023. Of the 30 students for which documentation was provided, the School Corporation could not provide documentation that the one student's benefits were calculated properly. Due to the lack of supporting documentation we were unable to determine the School Corporation's compliance with the Eligibility compliance requirement.

Contact Person Responsible for Corrective Action: Juli Windsor

Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

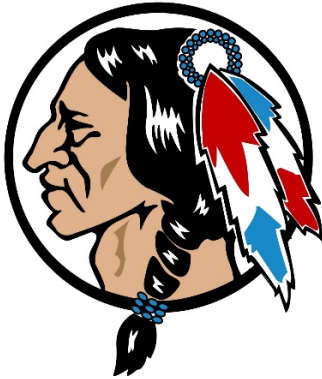
Description of Corrective Action Plan:

This will include all reimbursements which are submitted to the treasurer must be signed by the school cafeteria managers and the food service director.

The school will also implement policies to ensure that the Verification of Free and Reduced-Price applications have an adequate internal control to ensure the validity of the free and reduced applications.

This will provide for segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

Anticipated Completion Date: April 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-004

Subject: Child Nutrition Cluster – Procurement and Suspension and Debarment

Summary of Finding:

The School Corporation had not designed or implemented internal controls, policies, or procedures to ensure that proper procurement procedures for small purchases were followed. Due to the lack of oversight or implemented controls small purchases paid to eight vendors totaling \$180,015 were made without obtaining price or rate quotes. The School Corporation had not designed or implemented internal controls, policies, or procedures to ensure that vendors were not suspended or debarred prior to entering into a covered transaction. One covered transaction that equaled or exceeded \$25,000 was identified and selected for testing. Transactions to the vendor totaled \$81,295; the School Corporation did not verify the vendor's suspension and debarment status prior to payment.

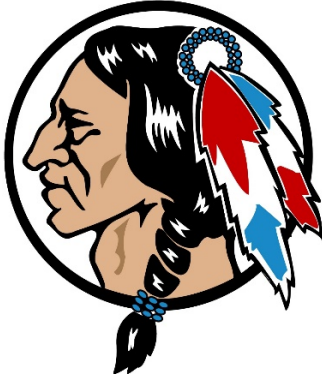
Contact Person Responsible for Corrective Action: Juli Windsor

Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The corporation will have adequate internal control in place and the corporation will develop a procedure to ensure rate or priced quotes are obtained for small purchases and ensure contractors are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Anticipated Completion Date: April 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: Child Nutrition Cluster – Reporting, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)

Summary of Finding:

The School Corporation had not designed or implemented effective internal controls to ensure that reimbursement requests were accurately submitted. The reimbursement requests were prepared by one employee based on meals served without evidence of an oversight or review process. The School Corporation had not designed or implemented effective internal controls to ensure the Verification of Free and Reduced Price Applications were accurately completed. One employee selected and verified the required sample of approved free and reduced-price applications without an oversight or review process.

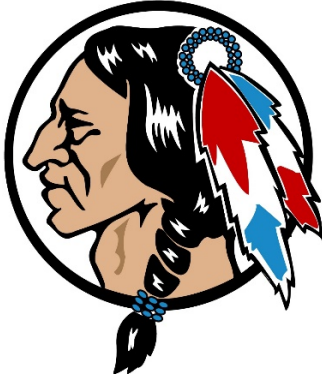
Contact Person Responsible for Corrective Action: Juli Windsor
Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The management of the School Corporation will establish a system of internal controls related to the grant agreement for the reporting and provisions to verify the free and reduced-price applications meet the compliance requirements. There will be responsible officials in place to comply with the report.

Anticipated Completion Date: April 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: Education Stabilization Fund - Reporting

Summary of Finding:

The School Corporation had not properly designed or implemented a system of internal controls, which would include proper segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education (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 compiled, prepared and submitted by one employee without documentation to support an oversight or review process in place to prevent, or detect and correct, errors. In addition, because the unit was unable to provide supporting documentation for the information contained in the six reports submitted during the audit period, three of these reports contained errors.

Contact Person Responsible for Corrective Action: Kelly McPike

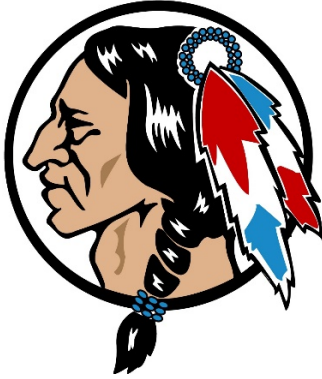
Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

An effective internal control will be developed to ensure supporting documentation is used and retained for all required reports submitted on behalf of the Education Stabilization Program Funds. The reports will be compiled, prepared, and submitted by more than one employee to support any possible oversight or errors.

Anticipated Completion Date: April 2024



MACONAQUAH SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2023-007

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

The School Corporation maintained a detailed listing of capital assets; however, the asset records provided for audit did not include three of the six assets paid for with federal funds. The School Corporation utilized COVID-19 - Education Stabilization Fund awards, totaling \$153,484, to purchase an air handler unit, a generator, planter equipment, auto pilot software, a carpet cleaner, and a floor cleaner. The software, carpet cleaner, and floor cleaner were not included in the capital asset records. Additionally, the capital asset listing provided did not identify which assets were purchased with federal dollars, a serial number or other identification number, who holds title, the location of the asset, nor the use and condition of the property.

Contact Person Responsible for Corrective Action: Kelly McPike
Contact Phone Number: 765-689-9131

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

An effective internal control will be developed to include a description of the property, a serial number or other identifying number, the source of the funding for the property, the award identification number, who holds the title, the acquisition cost, and the cost of the property. This will ensure all asset reports include all of the necessary information and new assets are added properly.

Anticipated Completion Date: April 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/>.