

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

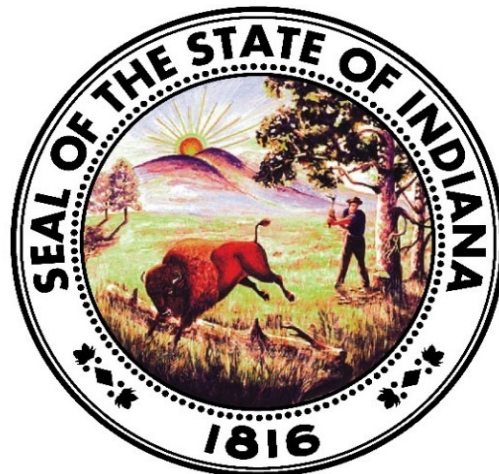
FEDERAL COMPLIANCE AUDIT REPORT

OF

RANDOLPH EASTERN SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-29
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	32-33
Corrective Action Plan	34-41
Other Reports.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lindsey Burk Kelsey Pechie	07-01-21 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Aaron Black	07-01-21 to 06-30-24
President of the School Board	Linda Puccini Tim Puccini	01-01-21 to 12-31-22 01-01-23 to 06-30-24



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

TO: THE OFFICIALS OF THE RANDOLPH EASTERN SCHOOL
CORPORATION, RANDOLPH 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 Randolph Eastern 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 5, 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 item 2023-001.

Randolph Eastern 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 5, 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 RANDOLPH EASTERN SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the 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.

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

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-003 and 2023-008 for Equipment and Real Property Management and Special Tests and Provisions - Wage Rate Requirements, respectively. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005 and 2023-006. 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, 2023-007, and 2023-008, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 5, 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 5, 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.

(This page intentionally left blank.)

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2022	\$ -	\$ 124,262	\$ -	\$ -
School Breakfast Program			FY 2023	-	-	-	118,850
Total - School Breakfast Program				-	124,262	-	118,850
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2022	-	415,782	-	-
School Lunch Program			FY 2023	-	-	-	363,820
Commodities			FY 2022	-	33,367	-	26,859
SNP Emergency Fund			FY 2022	-	1,176	-	-
Supply Chain Assistance (SCA)			FY 2023	-	-	-	55,572
Total - National School Lunch Program				-	450,325	-	446,251
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Lunch Food Program			FY 2022	-	19,781	-	-
Total - Child Nutrition Cluster				-	594,368	-	565,101
Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			7182021NS900942	-	614	-	-
Pandemic EBT Administrative Costs			7182022NS900942	-	-	-	628
Total - Pandemic EBT Administrative Costs				-	614	-	628
Total - Department of Agriculture				-	594,982	-	565,729
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed. IDEA Part B(611) FY 20			20611-062-PN01	-	2,494	-	-
SPEC ED Part B 611 FY 21			21611-062-PN01	-	76,804	-	-
SPEC ED Part B 611 FY 22			22611-062-PN01	-	161,208	-	-
GRIC Part B FY 22			22611-062-PN01	-	-	-	53,707
GRIC Part B FY 23			23611-062-PN01	-	-	-	179,245
Subtotal - Special Education Grants to States				-	240,506	-	232,952
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X					
FY 2022 IDEA ARP 611 Grant			22611-062-ARP	-	-	-	16,674
Total - Special Education Grants to States				-	240,506	-	249,626

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2022 Federal Preschool 619			22619-062-PN01	-	14,253	-	-
FY 2023 Federal Preschool 619 Grant			23619-062-PN01	-	-	-	14,413
Subtotal - Special Education Preschool Grants				-	14,253	-	14,413
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173X	22619-062-ARP	-	3,984	-	-
FY 2022 Federal Preschool 619							
Total - Special Education Preschool Grants				-	18,237	-	14,413
Total - Special Education Cluster (IDEA)				-	258,743	-	264,039
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY 19			S010A190014	-	18,715	-	-
Title I FY 20			S010A200014	-	84,928	-	-
Title I FY 21			S010A210014	-	158,051	-	-
Title 1 FY 22			S010A210014	-	-	-	90,108
Next Gen SIG			S010A210014	-	-	-	93,255
Title 1 FY 23			S010A220014	-	-	-	138,177
Total - Title I Grants to Local Educational Agencies				-	261,694	-	321,540
Rural Education	Indiana Department of Education	84.358					
Title V RLIS FY20			6871 Title IV RLIS FY20	-	-	-	15,487
RLIS 21-23			6872 FLIS 21-23	-	-	-	9,182
Rural and Low Income School FY 19			S424A190015	-	-	-	1,151
Rural and Low Income School FY 20			S424A200015	-	4,387	-	-
Total - Rural Education				-	4,387	-	25,820
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III - Limited English Prof. FY 19-21			S365A190014	-	7,611	-	-
Title III FY 21-23			S365A210014	-	-	-	11,870
Title III FY 20-22			S365A200014	-	10,018	-	-
Title III - Limited English Prof. FY 19-21			S365A190014	-	-	-	7
Title III FY 20-22			S365A200014	-	-	-	2,589
Title III FY22			S365A220014	-	-	-	7,597
Total - English Language Acquisition State Grants				-	17,629	-	22,063

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A FY 19			S367A190013	-	14,760	-	-
Title IIA FY 20			S367A200013	-	23,941	-	-
Title IIA FY 20			S367A200013	-	-	-	7,373
Title IIA FY 21			S367A210013	-	-	-	26,823
Title IIA FY 22			S367A220013	-	-	-	3,140
Total - Supporting Effective Instruction State Grants				-	38,701	-	37,336
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV FY 19			S424A190015	-	682	-	-
Title IV FY 20			S424A200015	-	-	-	930
Title IV FY 20			S424A200015	-	8,659	-	-
Title IV FFY21 FY22			S424A210015	-	-	-	18,230
Total - Student Support and Academic Enrichment Program				-	9,341	-	19,160
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief (GEER) Fund		84.425C	S425C200018	-	6,931	-	-
CARES ACT FY 20		84.425D	S425D200013	-	90,735	-	-
CARES ACT ESSER II FY 21-23		84.425D	S425D210013	-	442,001	-	-
Cares Act FY 20		84.425D	S425D200013	-	-	-	8,726
CARES ACT ESSER II FY 21-23		84.425D	S425D210013	-	-	-	233,089
ESSER Funds 2 (ES II) Grant		84.425D	S425D210013	-	-	-	73,000
(ARP) CARES ACT ESSER III FY 21-24		84.425U	S425U210013	-	783,336	-	-
(ARP) CARES ACT ESSER III FY 21-24		84.425U	S425U210013	-	-	-	613,066
3E Grant		84.425U	S425U210013	-	-	-	11,999
Gala Award Grant Funds		84.425U	S425U210013	-	-	-	150,570
Total - COVID-19 - Education Stabilization Fund				-	1,323,003	-	1,090,450
Total - Department of Education				-	1,913,498	-	1,780,408
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778	19-6835	-	7,035	-	5,908
Medicaid (MAC)							
Total - Medicaid Cluster				-	7,035	-	5,908
Total - Department of Health and Human Services				-	7,035	-	5,908
Total federal awards expended				\$ -	\$ 2,515,515	\$ -	\$ 2,352,045

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

RANDOLPH EASTERN 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. Special Education Cooperative

The School Corporation is a member of the Greater Randolph Interlocal 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.

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

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

Condition and Context

The School Corporation is required to file Annual Financial Reports (AFR) after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its fiscal year 2021-2022 reports as prescribed; however, the internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, were not effective.

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although the Treasurer prepared and entered the financial information into Gateway, and the Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls during 2021-2022, the financial statement presented for audit contained the following errors:

- The Social Security Pre-Conversion, Health Insurance Pre-Conversion, and Cancer Insurance Pre-Conversion funds' receipts and disbursements were omitted from the fiscal year 2021-2022 AFR. In addition, the Textbook Rental Fund and Teacher Appreciation Grant fund were completely omitted from the 2021-2022 AFR. The errors resulted in the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance to be understated by \$53,932, \$826,110, \$856,230, and \$23,812, respectively.
- Receipts and disbursements for the Part B 611 Spec Ed Fy 22 fund were incorrectly posted to Idea Part B 611 Fy 20 fund.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

The School Corporation filed its 2022-2023 reports as prescribed; however, there was no evidence of a review of the financial information entered into Gateway, which was the source of the School Corporation's financial statement. The Treasurer prepared and entered the financial information in Gateway without a documented review or oversight process to prevent, or detect and correct, errors in the financial statement.

Due to the lack of internal controls during 2022-2023, the financial statement presented for audited had individually immaterial posting errors that resulted in receipts and disbursements being understated by \$102,664 and \$71,875, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

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:

RANDOLPH EASTERN 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 proper system of internal controls that would have ensured proper reporting of the AFR and financial statement.

Effect

Without an effective system of internal controls 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.

FINDING 2023-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

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 Annual Financial Reports (AFR), which include the federal grant worksheet, which is the basis for the Schedule of Expenditures of Federal Awards (SEFA), 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, in 2022-2023 there was no evidence of a review of 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 SEFA. The Treasurer prepared and entered the federal award information in Gateway without a documented review or oversight process to prevent, or detect and correct, errors in the SEFA.

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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; . . ."

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 to ensure proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

Views of Responsible Officials

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

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U, 84.425C
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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. 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. In addition, a physical inventory of all assets should be completed at least every two years.

The School Corporation purchased eight assets, totaling \$131,205, which exceeded the School Corporation's capitalization threshold. Two of the eight assets were selected for testing. Neither of the two assets were determined to have property records, nor were the assets on the inventory listing. Additionally, the School Corporation did not complete a capital asset inventory every two years as required.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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:

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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, there was not a complete asset listing nor was there a physical inventory completed as required.

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 are maintained and that a physical inventory is taken every two years.

Views of Responsible Officials

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

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-004

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013
S425U210013
Pass-Through Entity: Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, noncompliance. 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 the Assistant Superintendent of Schools and the Treasurer without an oversight or review process in place to prevent, or detect and correct, errors.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

A proper system of internal controls was not designed by management of the School Corporation. 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.

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls which would include segregation of duties that would likely be effective in preventing, or detecting and correcting, noncompliance should be designed and implemented to ensure expenditures charged to the food service program fund (School Lunch fund) are for the benefit of the food service program.

The School Corporation's payroll disbursements were prepared by the Payroll Clerk without a documented review or approval process to prevent, or detect and correct, errors. In addition, vendor claims were to be reviewed and approved by the Treasurer and the School Board. Of the 40 vendor claims selected for testing to ensure the internal control was in place and operating effectively, 3 claims did not have documentation of approval by the Treasurer or the School Board.

In addition, the total amount of trash removal services for the School Corporation was paid from the School Lunch fund. The total amount charged to the School Lunch fund was \$15,448. This amount was considered questioned costs.

The lack of internal controls over payroll and vendor claims was a systemic issue throughout the audit period. The noncompliance was isolated to the payments for trash removal services.

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

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, costs for trash removal were incorrectly charged to the food service program.

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

Known questioned costs of \$15,448 were identified as detailed in the *Condition and Context*.

Recommendation

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

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2023-006

Subject: Child Nutrition Cluster - Reporting
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, FY 2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

Meal count reports were run from the School Corporation's meal software system on a monthly basis. The reports were then utilized by the Food Service Director or the Food Service Secretary to prepare the monthly claims for reimbursement. There was no documented review or oversight process over the monthly claims for reimbursement to prevent, or detect and correct, errors.

Of the four monthly claims for reimbursement selected for testing, two included overstatements in the number of meal counts used for reimbursement purposes when compared to the supporting documentation.

The lack of internal controls and noncompliance were systemic issues during 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). . . ."

7 CFR 210.8(a) states in part: "The school food authority shall establish internal controls which ensure the accuracy of meal counts prior to submission of the monthly Claim for Reimbursement. . . ."

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 210.7(c)(1) states in part:

"Lunch count system. To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: . . .

- (iii) Base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduce price and paid lunches served to eligible children;
- (iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; . . ."

7 CFR 220.11(b) states in part: "Claims for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed . . ."

7 CFR 220.11(d) states in part: "The school food authority shall establish internal controls which ensure the accuracy of breakfast counts prior to submission of the monthly Claim for Reimbursement. . . ."

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, reimbursement claims were not supported by the underlying records.

Noncompliance with the grant agreement and the Reporting compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls and develop policies and procedures to ensure meal counts are correctly reported.

Views of Responsible Officials

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

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-007

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

Condition and Context

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

All revenues and expenditures of the non-profit school food service account are to be accounted for in accordance with state and federal requirements. As such, separate accounting is to be made for the school food service, federal reimbursements are to be correctly credited to the food service account, and transfers out of the school food service account are to be for allowable costs of the school food service.

One individual received notification of deposit, receipted funds into accounting software, and prepared bank reconciliations. There was no documented review of the receipt of monthly meal reimbursements by a second individual not involved in the original receipt process.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

RANDOLPH EASTERN 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.

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 2023-008

Subject: COVID-19 - Education Stabilization Fund - Special Tests
and Provisions - Wage Rate Requirements
Federal Agency: Indiana Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425U, 84.425C
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018; S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation had not designed nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. Nine construction contracts, totaling \$113,571, were paid for with the COVID-19 - Education Stabilization Fund award during the audit period. All nine contracts were selected for testing. None of the contracts included the required prevailing wage rate clause nor were the associated certified payrolls and statements of compliance obtained.

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

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

(i)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

RANDOLPH EASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by nonFederal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, construction contracts entered into did not contain the required wage rate requirements clauses nor were certified payrolls obtained by the School Corporation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENTS

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



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



Summary Schedule of Prior Audit Findings

Date:

2/28/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent

Contact Phone Number:

765-964-4994

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: July 1, 2021 to June 30, 2023 **Finding Subject:** Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness

Summary of Finding:

Condition: The School Corporation has an internal control in place for a secondary review of the annual Grant Schedule submitted with the Annual Financial Report which generates the Schedule of Expenditures of Federal Awards (SEFA) for audit. The review control in place did not prevent, or detect and correct, errors in the SEFA.

Status of Audit Finding:

Partially Corrected.

Response Comments:

Due to changes in our business management personnel we have found that this responsibility was not clearly communicated and addressed in the most recent annual financial report. We have had discussions internally and will have this corrected by referring back to the practices identified in the previous Audit.

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



Summary Schedule of Prior Audit Findings

Date:

2/28/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent

Contact Phone Number:

765-964-4994

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: July 1, 2021 to June 30, 2023

Finding Subject: Child Nutrition Cluster – Internal Controls

Audit Findings: Material Weakness

Summary of Finding:

Condition:

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the cash management compliance requirement.

Status of Audit Finding:

Fully Corrected, but the corrective action implemented differs significantly from the original planned corrective action.

This is due to the corrective action plan noted for this finding in the last report stated “Currently, the cafeteria manager submits reimbursement claims and they are verified by the corporation financial manager. Effective immediately, the cafeteria manager shall submit back to the corporation financial manager and the corporation financial manager will get a verification from either the superintendent, or corporation grants manager. This internal control will ensure the accuracy of the reimbursement claims.”

Response Comments:

The corrective action actually taken was reviewing the Annual Comparison Report Average Expenditure Vs Fund Balance. This differs from the original plan as it set internal controls in place that we felt were more efficient for us to track in this manner. This has been reviewed and deemed acceptable.

Aaron Black
Superintendent
Randolph Eastern School Corporation

Reaching Educating Supporting Community



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent

ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-001

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

Summary of Finding:

The School had not established effective 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's financial statement.

The School failed to properly review the financial information prepared and submitted in Gateway for Fiscal Year 2022. Although the Treasurer prepared and entered the financial information into Gateway, and the Superintendent reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

Additionally, the School had not established internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system for Fiscal Year 2023. The Treasurer uploaded the required information without a documented oversight or review process in place to prevent, or detect and correct, errors on the AFR and the financial statement

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

The school corporation will start two systems of internal controls to prohibit this finding in the future. The first internal audit will occur when the business manager uploads the financial statements (Form 9). This will not only require a signature of the school superintendent but will also require a presentation to all central office personnel.

The second internal control will occur when the Annual Financial Report (AFR) is given to the school corporation for review. At this time the superintendent will verify that the numbers shared on the financial statements are accurately shown in the AFR.

Anticipated Completion Date:

Immediately upon the completion of the next form 9 and an AFR review.

Aaron Black

Aaron Black

Superintendent

Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-002

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

Summary of Finding:

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The federal grant worksheet in Gateway is used as the basis for completion of the SEFA. In FY23, there was no documented review of the SEFA by someone other than the preparer.

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.

During the audit of the SEFA, nonmaterial errors were noted. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

In the future, the SEFA will be reviewed by the business manager and the assistant superintendent, who is in charge of all grant management. Upon review, both the business manager and the assistant superintendent will sign/initial the signifying their review of the documents.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-003

Compliance Requirement(s): Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Summary of Finding:

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment and Real Property Management

The Unit did not have an internal control system and procedures in place to ensure property records are properly maintained, and include all the required information. The property records do not contain the following information about the equipment: description (including serial number or other identification number), source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR 200.313(d)(1)). A physical inventory of equipment was not performed at least once within the last 2 years. The Unit did not have an internal control system and procedures in place to ensure equipment is appropriately safeguarded and maintained.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

Internal controls will be put in place to ensure property records contain proper information about the equipment. The grant manager and treasurer will work on the documentation as equipment meeting requirements is ordered to ensure updated records. We will also contract another outside entity to do bi-annual updates of our capital assets.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-004

Compliance Requirement(s): Reporting
Audit Finding(s): Material Weakness and Other Matters

Summary of Finding:

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting

The Unit has not separated incompatible activities within the managing of the federal award programs. The failure to establish these controls could enable material misstatements and noncompliance to be undetected. Management reviews award agreements, contracts and DOE reporting dates and requirements and submits the Annual report to IDOE. Management reviews report for accuracy between the Treasurer and Grant Manager (Asst. Superintendent). A second approval could not be verified. Segregation of duties during the process of entering, approving, and submitting the Annual Reports failed.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

In the future, the Required DOE Reports will be prepared by the assistant superintendent, who oversees all grant management. Then, the Business Manager will review the prepared reports; upon review, both the business manager and the assistant superintendent will sign/initial the signifying their review of the documents. The report will also be shared with the Superintendent, who will sign off as well.

Anticipated Completion Date:

Effective Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-005

Compliance Requirement(s): Allowable Activities, Allowable Costs / Cost Principles

Audit Findings: Material Weakness, Other Matters

Summary of Finding:

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Allowable Activities, Allowable Costs / Cost Principles

The School Corporation paid trash removal services from the School Lunch fund without a methodology or supporting documentation for the amount charged. Without a reasonable methodology for the expenses paid, the amount was considered a questioned cost. The total amount charged to the School Lunch fund was \$15,448. Internal controls over vendor disbursements were in place but were not operating effectively during the audit period.

Additionally, there was no documentation indicating that payroll disbursements were reviewed or approved by a second individual not involved in the original payroll process.

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

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

The School will start to divide trash removal services between cafeteria accounts and building accounts when being paid monthly. Verification of percentage coming from each account will be discussed.

Internal controls will be put in place to document that payroll disbursements are being reviewed by a second individual. Payroll disbursement reports will be presented to the correct central office employee.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-006

Compliance Requirement(s): Reporting
Audit Findings: Material Weakness, Other Matters

Summary of Finding:

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting

There was no documented control in place over the review of monthly reimbursement claims. Claims were prepared and submitted by one individual without documentation that they were being reviewed by a second person not involved in the original process. The lack of controls resulted in overstatements in the number of meal counts used for reimbursement purposes when compared to School Corporation supporting documentation.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

The food service director will enter the claims into CNPWeb Claim reimbursement site using the information from the Point of Sale system reports for reimbursable meals. The Business Manager will then confirm the meal counts before submitting the Claims. The FSMC food service director meets with the Superintendent monthly to review all claims and food service financials. A meeting agenda will be signed by all parties involved and retained on file in the business office.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-007

Compliance Requirement(s): Non-Profit School Food Service Accounts
Audit Findings: Material Weakness, Other Matters

Summary of Finding:

There was no documented control in place over the receipt of monthly meal reimbursements. One individual received notification of deposit, received funds into accounting software, and prepared bank reconciliations. There was no documented review of the receipt of monthly meal reimbursements by a second individual not involved in the original receipt process.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

The Business Manager and Cafeteria Manager will meet monthly to review the deposit statement from the bank to verify all deposits are accurate and accounted for the Food Service Fund. The bank statement will be initialed by both parties and retained on file in the business office.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation



Randolph Eastern School Corporation

731 N. Plum Street
Union City, IN 47390
Phone: 765-964-494 Fax: 765-964-6590



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

Date:

2/29/24

Contact Person Responsible for Corrective Action:

Aaron Black, Superintendent
ablack@resc.k12.in.us

Contact Phone Number:

765-964-4994

FINDING 2023-008

Compliance Requirement(s): COVID-19 - Education Stabilization Fund - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Summary of Finding:

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation had not designed nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. Seven construction contracts, totaling \$103,163, were paid for with Education Stabilization Fund award during the audit period. All seven contracts were selected for testing. None of the contracts included the required prevailing wage rate clause nor were the associated certified payrolls and statements of compliance obtained.

Views of Responsible Officials:

We Concur with this finding.

Description of Corrective Action Plan:

For construction processes that involve federal funds and cost over \$2000, we will get contacts /bids for work that require the Davis Bacon Act to be followed in terms of Wage Rate Requirements and that they provide us with certified payrolls of compliance.

Anticipated Completion Date:

Immediately

Aaron Black
Superintendent
Randolph Eastern School Corporation

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/>.