

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**

03/08/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jerry Hawkins Dr. Thomas Keeley	07-01-21 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Dr. Jerry L. Thacker	07-01-21 to 06-30-24
President of the School Board	Christopher Riley	07-01-21 to 06-30-24



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

TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL  
CORPORATION, ST. JOSEPH 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 Penn-Harris-Madison School Corporation (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 22, 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 2023-002.

***Penn-Harris-Madison School Corporation's Response to Findings***

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

***Purpose of This Report***

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



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 22, 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 PENN-HARRIS-MADISON SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

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

***Qualified and Unmodified Opinions***

We have audited the Penn-Harris-Madison 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.

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.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-004 and 2023-005 for Allowable Costs/Cost Principles and Reporting, 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.

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 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**

*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, and 2023-005, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated February 22, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 22, 2024

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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PENN-HARRIS-MADISON SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2022	\$ -	\$ 1,042,673	\$ -	\$ -
School Breakfast Program			FY 2023	-	-	-	651,302
Total - School Breakfast Program				-	1,042,673	-	651,302
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2022	-	4,036,008	-	-
School Lunch Program			FY 2023	-	-	-	2,774,862
Commodities			FY 2022	-	450,616	-	-
Commodities			FY 2023	-	-	-	309,459
After School Snack			FY 2022	-	9,426	-	-
After School Snack			FY 2023	-	-	-	10,119
SNP Emergency Funds			FY 2022	-	110,265	-	-
SNP Emergency Funds			FY 2023	-	-	-	516,348
Total - National School Lunch Program				-	4,606,315	-	3,610,788
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY 2022	-	187,008	-	-
Summer Food Service Program for Children			FY 2023	-	-	-	109,994
Total - Summer Food Service Program for Children				-	187,008	-	109,994
Fresh Fruit and Vegetable Program							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY 2023	-	-	-	20,194
Total - Child Nutrition Cluster				-	5,835,996	-	4,392,278
Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			FY 2022	-	3,063	-	-
Pandemic EBT Administrative Costs			FY 2023	-	-	-	3,135
Total - Pandemic EBT Administrative Costs				-	3,063	-	3,135
Total - Department of Agriculture				-	5,839,059	-	4,395,413
<u>Federal Communications Commission</u>							
Emergency Connectivity Fund Program	Direct Grant	32.009					
Emergency Connectivity Fund Program			FY 2022	-	582,750	-	-
Total - Federal Communications Commission				-	582,750	-	-

PENN-HARRIS-MADISON 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
<b>Department of Education</b>							
<b>Special Education Cluster (IDEA)</b>							
Special Education Grants to States	Indiana Department of Education	84.027					
Exceptional Education (611) 2019			19611-134-PN01	-	2,484	-	-
Exceptional Education (611) 2020			20611-134-PN01	-	123,102	-	-
Exceptional Education (611) 2021			21611-134-PN01	-	2,351,106	-	63,228
Exceptional Education (611) 2022			22611-134-PN01	-	461,153	-	1,828,881
Exceptional Education (611) 2023			23611-134-PN01	-	-	-	304,686
<b>Total - Special Education Grants to States</b>				<b>-</b>	<b>2,937,845</b>	<b>-</b>	<b>2,196,795</b>
<b>Special Education Preschool Grants</b>							
Special Education Preschool Grants	Indiana Department of Education	84.173					
Exceptional Education (619) 2020			20619-134-PN01	-	15,018	-	-
Exceptional Education (619) 2021			21619-134-PN01	-	57,417	-	886
Exceptional Education (619) 2022			22619-134-PN01	-	13,219	-	66,663
Exceptional Education (619) 2023			23619-134-PN01	-	-	-	9,199
<b>Total - Special Education Preschool Grant</b>				<b>-</b>	<b>85,654</b>	<b>-</b>	<b>76,748</b>
<b>Total - Special Education Cluster (IDEA)</b>				<b>-</b>	<b>3,023,499</b>	<b>-</b>	<b>2,273,543</b>
<b>Title I Grants to Local Educational Agencies</b>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A190014	-	389	-	-
Title I			S010A200014	-	221,551	-	-
Title I			S010A210014	-	514,867	-	271,256
Title I			S010A220014	-	-	-	501,124
<b>Total - Title I Grants to Local Educational Agencies</b>				<b>-</b>	<b>736,807</b>	<b>-</b>	<b>772,380</b>
<b>English Language Acquisition State Grants</b>							
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			S365A190014	-	236	-	-
Title III			S365A200014	-	8,712	-	-
Title III			S365A210014	-	22,165	-	15,022
Title III			S365A220014	-	-	-	5,019
<b>Total - English Language Acquisition State Grants</b>				<b>-</b>	<b>31,113</b>	<b>-</b>	<b>20,041</b>
<b>Supporting Effective Instruction State Grants</b>							
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA			S367A190013	-	1,623	-	-
Title IIA			S367A200013	-	90,952	-	-
Title IIA			S367A210013	-	129,108	-	100,896
Title IIA			S367A220013	-	-	-	136,222
<b>Total - Supportive Effective Instruction State Grants</b>				<b>-</b>	<b>221,683</b>	<b>-</b>	<b>237,118</b>

PENN-HARRIS-MADISON 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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IVA			S424A190015	-	955	-	-
Title IVA			S424A200015	-	6,484	-	-
Title IVA			S424A210015	-	52,137	-	12,737
Title IVA			S424A220015	-	-	-	2,530
Total - Student Support and Academic Enrichment Program				-	59,576	-	15,267
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
The CARES Act FY 2020		84.425D	S425D200013	-	296,293	-	-
ESSER II (CRRSA)		84.425D	S425D210013	-	1,612,160	-	816,001
ESSER III		84.425U	S425U210013	-	1,158,606	-	1,806,055
Total - COVID-19 - Education Stabilization Fund				-	3,067,059	-	2,622,056
Total - Department of Education				-	7,139,737	-	5,940,405
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Reimbursement			7175	-	193,963	-	357,438
Total - Medical Assistance Program				-	193,963	-	357,438
Total - Medicaid Cluster				-	193,963	-	357,438
Total - Department of Health and Human Services				-	193,963	-	357,438
<u>Department of Homeland Security</u>							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security		FY 2023	-	-	-	657,131
Total - Department of Homeland Security				-	-	-	657,131
Total federal awards expended				\$ -	\$ 13,755,509	\$ -	\$ 11,350,387

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

PENN-HARRIS-MADISON 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.

PENN-HARRIS-MADISON 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
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**Section II - Financial Statement Findings**

**FINDING 2023-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

A proper system of internal controls, which would include appropriate segregation of duties, should be designed and implemented at varying points within a process to effectively prevent, or detect and correct, errors. The failure to establish appropriate internal controls could enable material misstatements to occur and remain undetected.

The School Corporation had not separated incompatible activities related to financial close and reporting, receipts, payroll disbursements, payroll withholdings, and other financing sources and uses.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Financial Close and Reporting*

The Executive Director of Business Services prepared and uploaded the Annual Financial Report (AFR) into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the AFR and the financial statement. Once uploaded, the AFR was printed and reviewed by the Accounting Coordinator and Executive Director of Business Services prior to submission in Gateway by the Executive Director of Business Services.

To verify this process, documentation of the review was requested; however, no evidence of the review process could be provided. As such, the AFR was prepared and submitted without a documented oversight or review process in place to detect and allow correction of errors prior to submission.

*Receipts*

Receipts were entered into the financial software by the Accounting Specialist and reviewed by the Accounting Coordinator.

To verify this process, documentation of the Accounting Coordinator's review of receipts was requested; however, no evidence of this review or oversight process could be provided. As such, receipts were recorded without a documented oversight or review process to ensure timely and accurate posting.

*Payroll Disbursements*

Payroll disbursements were prepared by the Payroll Coordinator and reviewed and processed by the Payroll Assistant.

To verify this process, documentation of the Payroll Assistant's review of payroll disbursements was requested; however, no evidence of this review or oversight process could be provided. As such, payroll disbursements were prepared and processed without a documented oversight or review process to ensure timely and accurate posting.

*Payroll Withholdings*

The Payroll Coordinator prepared detailed reports for payroll benefits; however, there was no process in place to review the accuracy and propriety of payroll withholdings, deductions, and benefits retained from employees' wages and the corresponding payments to vendors.

*Other Financing Sources and Uses*

Proceeds of long-term debt were entered into the financial software by the Accounting Specialist and reviewed by the Accounting Coordinator.

To verify this process, documentation of the Accounting Coordinator's review of long-term debt proceeds was requested; however, no evidence of this oversight or review process could be provided. As such, proceeds from long-term debt were entered without a documented oversight or review process to ensure timely and accurate posting.

Additionally, the School Board of Trustees was to approve all transfers through an ordinance, resolution, or within the monthly document claims. However, evidence of this review or oversight process could not be provided for some transfers. As such, these transfers were made without a documented oversight or review process.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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 proper system of internal controls over financial close and reporting, receipts, payroll disbursements, payroll withholdings, and other financing sources and uses. 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, errors.

*Effect*

The failure to establish a system of internal controls could enable material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, material misstatements in a timely manner.

*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 Findings: Material Weakness, Noncompliance

*Condition and Context*

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) were not documented nor effective.

The School Corporation's process was for the Director of Business Services to prepare the federal award information and enter into Gateway, and the Executive Director of Business Services and the Accounting Coordinator to review and approve the information entered. No evidence of this review or oversight process could be provided. As such, the SEFA was submitted without an oversight or review process to detect and allow correction of errors prior to submission.

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

1. The School Breakfast Program expenditures were understated by \$1,042,673 and \$331,650 for fiscal years 2021-2022 and 2022-2023, respectively.
2. The National School Lunch Program expenditures were overstated by \$2,223,904 and understated by \$1,377,857 for 2021-2022 and 2022-2023, respectively. Additionally, commodities were overstated by \$686 for 2021-2022 and omitted for 2022-2023, which understated expenditures by \$309,459. Lastly, After School Snack, SNP Emergency Funds, and Supply Chain Assistance Funds were omitted, which understated expenditures by \$119,691 and \$526,467, for 2021-2022 and 2022-2023, respectively.
3. The Special Education Grants to States expenditures were understated by \$461,153 and \$1,670,319 for 2021-2022 and 2022-2023, respectively.
4. The COVID-19 - Education Stabilization Fund expenditures were understated by \$1,168,606 and \$1,006,368 for 2021-2022 and 2022-2023, respectively.
5. There were 6 grants that had individual immaterial errors for 2021-2022 that resulted in misstatements of expenditures of \$756,765, in total. There were 17 grants that had individual immaterial errors for 2022-2023 that resulted in misstatements of expenditures of \$1,618,189, in total.
6. Other errors included incorrect program names, pass-through entities, 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](#)."

PENN-HARRIS-MADISON 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 . . ."

2 CFR 200.1 states in part:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (i) Effectiveness and efficiency of operations;
  - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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

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

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

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

*Cause*

Management of the School Corporation had not established 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.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2023-003**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program  
Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Finding: Material Weakness

*Condition and Context*

Direct charges to a federal award are to be for allowable costs and made in conformance with the applicable cost principles.

Payroll benefits were entered by the payroll department and reviewed by the Payroll Coordinator to ensure proper payment. However, this review was not completed on a detailed level by employee to ensure the payroll withholdings, deductions, and benefits retained from employees' wages were for allowable costs and made in conformance with applicable cost principles.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

PENN-HARRIS-MADISON 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.

*Views of Responsible Officials*

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

**FINDING 2023-004**

Subject: COVID-19 - Education Stabilization Fund - Allowable Costs/Costs Principles  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Numbers: 84.425D, 84.425U  
Federal Award Numbers: S425D210013, S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

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

A sample of 40 payroll claims charged to the ESSER program for which reimbursement was received during the audit period was selected for testing to verify the expenditures were in conformance with the applicable cost principles. Of the 40 payroll claims tested, 21 payroll claims were determined to be for payroll adjustments into the ESSER II fund. For all 21 payroll adjustments, totaling \$1,509,248, there was not adequate supporting documentation to determine to where the payroll was originally paid, to whom the original payment was made, and at what amount the original payment was made. The total amount of the 21 payroll claims/adjustments, \$1,509,248, was determined to be questioned costs.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Due to the lack of documentation for the payroll adjustments into the ESSER II fund, all adjustments were reviewed. A review of the additional adjustments resulted in an additional \$114,353 of payroll charges in which there was not adequate supporting documentation to determine to where the payroll was originally paid, to whom the original payment was made, and at what amount the original payment was made. The \$114,353 was determined to be questioned costs.

In addition, the School Corporation requested a total reimbursement of \$3,342,940 in payroll costs from its ESSER allocation during the audit period. However, expenditures per the ledger for payroll and benefits totaled \$2,995,014. As a result, the School Corporation over requested and received \$347,926 for payroll expenditures that cannot be substantiated. The \$347,926 was determined to be questioned costs.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the payroll adjustments and additional payroll noted above.

*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. . . ."

34 CFR 76.700 states: "A State and a subgrantee shall comply with § 76.500, the State plan, applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

Indiana Department of Education ESSER III Application Walk Through states in part:

". . . Please budget the appropriate items in the district budget. Be sure to include all requested items or activities in the budgeted total and include sufficient detail in the narrative boxes below. Be sure to provide sufficient detail for IDOE to determine the reasonableness, allowability, and necessity of the proposed activity. You may include additional documentation in the Attachments section of the Summary Page . . ."

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

A proper system of internal controls was not designed by management of the School Corporation. 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 were reimbursed that did not have adequate documentation to ensure compliance with the compliance requirement.

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 \$1,971,527 were identified as detailed in the *Condition and Context*.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2023-005**

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,  
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 to be prepared and submitted by the School Principal and reviewed by the Executive Business Director; however, no evidence of this review or oversight process could be provided. As such, the annual data reports were prepared and submitted to the IDOE without an oversight or review process to prevent, or detect and correct, errors.

In addition, five of six reports submitted during the audit period were not supported by the School Corporation's records. The following errors were identified:

- The ESSER I, Year 2 report, which had an applicable reporting period of October 1, 2020 through June 30, 2021, reported \$534,761 in expenditures; however, actual expenditures for the applicable reporting period totaled \$478,883.
- The ESSER I, Year 3 report, which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures; however, actual expenditures for the applicable reporting period totaled \$243,814.67.
- The ESSER II, Year 1 report, which had an applicable reporting period of July 1, 2020 to June 30, 2021, reported \$733 in expenditures; however, actual expenditures for the applicable reporting period totaled \$322,539.
- The ESSER II, Year 2 report, which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures; however, actual expenditures for the applicable reporting period totaled \$276,642.
- The ESSER III, Year 2 report, which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures; however, actual expenditures for the applicable reporting period totaled \$1,315,208.

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 200.302(b) states in part:

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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."

*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, reports were not accurately submitted to the IDOE.

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 reports are submitted accurately.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING Federal 2021-001***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

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

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

**Summary of Finding:** 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 Suspension and Debarment compliance requirements.

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

**Response Comments:**





## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING Federal 2021-002***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

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

**Finding Subject: Child Nutrition Cluster – Cash Management**

**Summary of Finding:** 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 requirements. A lack of segregation of duties allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

**Response Comments:**



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING Federal 2021-003***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

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

**Finding Subject: Title I - Reporting**

**Summary of Finding:** 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 reporting compliance requirements. A lack of segregation of duties allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

**Status of Audit Finding:** Partially completed.

**Response Comments:** During the 2022-2023 school year a Federal Grant coordinator was employed to address this inefficiency. She was able to double check expenditures and prepare final reporting with accuracy. However, the reimbursement and award process remained an issue through June 2023. Since June 2023, the School Corporation created an organizational structure where a business services specialist with added duties of reimbursements, expenditure review processes, communication with grant coordinators, and communication with the department of education, filing and organizing federal grants became essential duties. In the fall of 2023 a new Title 1 Director was trained and made aware of past deficiencies. The School Corporation has segregated duties among multiple employees to ensure current and future compliance. Professional development will now be our focus for future improvement.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING Federal 2021-004***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

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

**Finding Subject: Title I – Earmarking**

**Summary of Finding:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could also allowed noncompliance with the compliance requirements and allowed misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs. During the audit period, the earmarking requirement of Parental Involvement was not met for the fiscal year 2019-2020. The earmarking requirement was properly met for the 2018-2019 Title 1 grant which ended the audit period.

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

**Response Comments:**



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING Federal 2021-005***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

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

**Finding Subject: Title I Grants to Local Education Agencies – Internal Controls - Eligibility**

**Summary of Finding:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could also allowed noncompliance with the compliance requirements and allowed misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs. There were twenty-five students selected for sample testing for the audit period. For one of the twenty-five students, the student's poverty status was reported incorrectly on the real time report as paid when the student should have been reported as free.

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

**Response Comments:**



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING Federal 2021-006***

**Fiscal year in which the finding initially occurred: Fiscal Year 2020**

**Current Audit Period: July 1, 2021 to June 30, 2022**

**Finding Subject: Special Education Cluster (IDEA) – Internal Controls – Earmarking**

**Summary of Finding:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could also allowed noncompliance with the compliance requirements and allowed misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs. During the audit period, the earmarking requirement for Non-Public Proportionate Share was not met for the fiscal year 2017-2018 and 2018-2019 Special Education Cluster grants, whose period of performance ended during the audit period.

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

**Response Comments:**



## CORRECTIVE ACTION PLAN

### ***FINDING 2023-001***

**Finding Subject:** Financial Transactions and Reporting  
**Summary of Finding:**

#### *Condition and Context*

A proper system of internal control, which would include appropriate segregation of duties, should be designed and implemented at varying points within a process to effectively prevent, or detect, and correct errors. The failure to establish appropriate internal controls could enable material misstatements to occur and remain undetected.

The School Corporation had not separated incompatible activities related to financial close and reporting, receipts, payroll disbursements, payroll withholdings, and other financing sources and uses.

#### *Financial Close and Reporting*

The Executive Director of Business Services prepared and uploaded the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source of the AFR and the financial statement. Once uploaded the AFR was printed and reviewed by the Accounting Coordinator and Executive Director of Business Services prior to submission in Gateway by the Executive Director of Business Services.

To verify this process documentation of the review was requested; however, no evidence of the review process could be provided. As such, the AFR was prepared and submitted without a documented oversight or review process in place to detect and allow correction of errors prior to submission.

#### *Receipts*

Receipts were entered into the financial software by the Accounting Specialist and reviewed by the Accounting Coordinator.

To verify this process, documentation of the Accounting Coordinator's review of receipts was requested; however, no evidence of this review or oversight process could be provided. As such, receipts were recorded without a documented oversight or review process to ensure timely and accurate posting.

#### *Payroll Disbursements*

Payroll disbursements were prepared by the Payroll Coordinator and reviewed and processed by the Payroll Assistant.





To verify this process, documentation of the Payroll Assistant’s review of payroll disbursements was requested; however, no evidence of this review or oversight process could be provided. As such, payroll disbursements were prepared and processed without a documented oversight or review process to ensure timely and accurate posting.

*Payroll Withholdings*

The Payroll Coordinator prepared detailed reports for payroll benefits; however, there was no process in place to review the accuracy and propriety of payroll withholdings, deductions, and benefits retained from employees’ wages and the corresponding payments to vendors.

*Other Financing Sources and Uses*

Proceeds of long-term debt were entered into the financial software by the Accounting Specialist and reviewed by the Accounting Coordinator.

To verify this process, documentation of the Accounting Coordinator’s review of long-term debt proceeds was requested; however, no evidence of this oversight or review process could be provided. As such, proceeds from long term debt were entered without a documented oversight or review process to ensure timely and accurate posting.

Additionally, the School Board of Trustees was to approve all transfers through an ordinance, resolution, or within the monthly document claims. However, evidence of this review or oversight process could not be provided for some transfers. As such these transfers were made without a documented oversight or review process.

**Contact Person Responsible for Corrective Action:**

Dr. Thomas A. Keeley, Executive Director of Business Services

**Contact Phone Number and Email Address:** (574) 258-9591 Tkeeley@phm.k12.in.us

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

**Description of Corrective Action Plan:**

The school corporation will revise job descriptions to clearly identify tasks and responsibilities for the financial closing activities, the receipt process, the full payroll process, and long-term debt management and processing proceeds.

*Financial Close and Reporting/Receipts:*

The AFR will be reviewed by the Executive Director and the Accounting Coordinator before being submitted in Gateway. Monthly receipts will be entered by the Accounting Specialist, reviewed along with source documents and the Accounting Specialist and Accounting Coordinator will both provide an official signature.

*Payroll Disbursements:*



The school corporation will print a detailed employee wage report for each payroll with double signatures indicating a thorough review process by the Payroll Coordinator and the Payroll Accounting Specialist. Finally, the Executive Director for Business Services will complete a final review of disbursements and withholdings indicating the process is complete with an official signature.

*Other Financing Sources and Uses:*

A thorough review of proceeds of long-term debt will be conducted by the Accounting Coordinator and then reviewed by the Executive Director of Business, each providing an official signature indicating the process is complete. An official board action will occur on the consent agenda titled "Recommendation for Fund to Fund Transfer" for each month when there is a transfer from Fund to Fund.

**Anticipated Completion Date: March 1, 2024.**



## CORRECTIVE ACTION PLAN

### **FINDING 2023-002**

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

#### *Condition and Context*

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

The School Corporation filed their reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) were not documented nor effective.

The School Corporation's process was for the Director of Business Services to prepare the federal award information and enter into Gateway, and the Executive Director of Business Services and the Accounting Coordinator to review and approve the information entered. No evidence of this review or oversight process could be provided. As such the SEFA was submitted without an oversight or review process to detect and allow correction of errors prior to submission.

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

1. The School Breakfast Program expenditures were understated by \$1,042,673 and \$331,650, for fiscal years 2021-2022 and 2022-2023, respectively.
2. The National School Lunch Program expenditures were overstated by \$2,223,904 and understated by \$1,377,857, for fiscal years 2021-2022 and 2022-2023, respectively. Additionally, commodities were overstated by \$686 for fiscal year 2021-2022 and omitted for fiscal year 2022-2023, which understated expenditures by \$309,459. Lastly, after school snack, SNP emergency funds, and supply chain assistance funds were omitted, which understated expenditures by \$119,691 and \$526,467, for fiscal years 2021-2022 and 2022-2023, respectively.
3. The Special Education Grants to States expenditures were understated by \$461,153 and \$1,670,319, for fiscal years 2021-2022 and 2022-2023, respectively.
4. The COVID-19 - Education Stabilization Fund expenditures were understated by \$1,168,606 and \$1,006,368, for fiscal years 2021-2022 and 2022-2023, respectively.
5. Six grants had individual immaterial errors for 2021-2022 that resulted in misstatements of expenditures of \$756,765, in total. Seventeen grants had individual immaterial errors for 2022-2023 that resulted in misstatements of expenditures of \$1,618,189, in total.
6. Other errors included incorrect program names, pass-through entities, and identifying numbers.





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

**Contact Person Responsible for Corrective Action:**

Dr. Thomas A. Keeley, Executive Director of Business Services

**Contact Phone Number and Email Address:** (574) 258-9591 Tkeeley@phm.k12.in.us

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

**Description of Corrective Action Plan:**

The school corporation will revise job descriptions to clearly identify tasks, responsibilities and the segregation of duties for the preparation of information for the Schedule of Expenditures of Federal Awards (SEFA) submitted in Gateway. The school corporation will provide accurate annual end of year grant reports to support the data provided for the SEFA. The school Corporation will review the federal grant information utilizing the entire federal grant team of grant managers, the Accounting Specialist, the Accounting Coordinator with final approval by the Executive Director of Business Services. Each employee will initial their process of review and approval when completed.

**Anticipated Completion Date: March 1, 2024.**



## CORRECTIVE ACTION PLAN

### **FINDING 2023-003**

**Finding Subject:** Child Nutrition Cluster - Allowable Costs/Cost Principles  
**Summary of Finding:**

#### *Condition and Context*

Direct charges to a federal award are to be for allowable costs and made in conformance with the applicable cost principles.

Payroll benefits were entered by the payroll department and reviewed by the Payroll Coordinator to ensure proper payment. However, this review was not completed on a detailed level by employee to ensure the payroll withholdings, deductions, and benefits retained from employees' wages were for allowable costs and made in conformance with applicable cost principles.

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

#### **Contact Person Responsible for Corrective Action:**

Dr. Thomas A. Keeley, Executive Director of Business Services

**Contact Phone Number and Email Address:** (574) 258-9591 Tkeeley@phm.k12.in.us

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

**Description of Corrective Action Plan:** The school corporation will revise job descriptions to clearly identify tasks and responsibilities for the payroll process. The school corporation will print a detailed employee wage report for each payroll with double signatures indicating a thorough review process by the payroll coordinator and the payroll accounting specialist/Food Service Manager. Finally, the Executive Director for Business Services will complete noting a final review of corresponding benefits withholdings to the corresponding vendor payments indicating the process is complete with an official signature.

**Anticipated Completion Date:** **March 1, 2024.**



## CORRECTIVE ACTION PLAN

### **FINDING 2023-004**

**Finding Subject:** COVID-19 - Education Stabilization Fund – Allowable Costs/Cost Principles  
**Summary of Finding:**

#### *Condition and Context*

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

A sample of 40 payroll claims charged to the ESSER program for which reimbursement was received during the audit period was selected for testing to verify the expenditures were in conformance with the applicable cost principles. Of the 40 payroll claims tested, 21 payroll claims were determined to be for payroll adjustments into the ESSER II fund. For all 21 payroll adjustments, totaling \$1,509,248, there was not adequate supporting documentation to determine to where the payroll was originally paid, to whom the original payment was made and at what amount the original payment was made. The total amount of the 21 payroll claims/adjustments, \$1,509,248, was determined to be questioned costs.

Due to the lack of documentation for the payroll adjustments into the ESSER II fund, all adjustments were reviewed. A review of the additional adjustments resulted in an additional \$114,353 of payroll charges in which there was not adequate supporting documentation to determine to where the payroll was originally paid, to whom the original payment was made and at what amount the original payment was made.

In addition, the School Corporation requested a total reimbursement of \$3,342,940 in payroll costs from their ESSER allocation during the audit period. However, expenditures per the ledger for payroll and benefits totaled \$2,995,014. As a result, the School Corporation over requested and received \$347,926 for payroll expenditures that cannot be substantiated.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the payroll adjustments and additional payroll noted above.

#### **Contact Person Responsible for Corrective Action:**

Dr. Thomas A. Keeley, Executive Director of Business Services

**Contact Phone Number and Email Address:** (574) 258-9591 Tkeeley@phm.k12.in.us

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





**Description of Corrective Action Plan:**

The school corporation will revise job descriptions to clearly identify segregation of duties for Federal Fund Coordinators, employees responsible for calculating accurate disbursement reports, reimbursement requests and payroll processing. Detailed expenditure reports will be generated for end of year reporting with the Accounting Specialist, Accounts Payable Coordinator and the Executive Director of Business Services completing a final review process providing signatures indicating review and accuracy before filing.

**Anticipated Completion Date: March 1, 2024.**



## CORRECTIVE ACTION PLAN

### **FINDING 2023-005**

**Finding Subject:** COVID-19 - Education Stabilization Fund - Reporting  
**Summary of Finding:**

#### *Condition and Context*

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit an annual data report to the Indiana Department of Education (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 to be prepared and submitted by the School Principal and reviewed by the Executive Business Director; however, no evidence of this review or oversight process could be provided. As such the annual data reports were prepared and submitted to IDOE without an oversight or review process to prevent or detect and correct errors.

In addition, five of the six reports submitted during the audit period were not supported by the School Corporation's records. The following errors were identified:

- The ESSER I, Year 2 report, which had an applicable reporting period of October 1, 2020 through June 30, 2021, reported \$534,761 in expenditures. However, actual expenditures for the applicable reporting period totaled \$478,883.
- The ESSER I, Year 3 report which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures. However, actual expenditures for the applicable reporting period totaled \$243,814.67.
- The ESSER II, Year 1 report, which had an applicable reporting period of July 1, 2020 to June 30, 2021, reported \$733 in expenditures. However, actual expenditures for the applicable reporting period totaled \$322,539.
- The ESSER II, Year 2 report, which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures. However, actual expenditures for the applicable reporting period totaled \$276,642.
- The ESSER III, Year 2 report, which had an applicable reporting period of July 1, 2021 to June 30, 2022, reported \$0 in expenditures. However, actual expenditures for the applicable reporting period totaled \$1,315,208.

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





**PENN·HARRIS·MADISON**

SCHOOL CORPORATION

**Contact Person Responsible for Corrective Action:**

Dr. Thomas A. Keeley, Executive Director of Business Services

**Contact Phone Number and Email Address:** (574) 258-9591 Tkeeley@phm.k12.in.us

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

**Description of Corrective Action Plan:**

The school corporation will revise job descriptions to clearly identify segregation of duties for Federal Fund Coordinators, employees responsible for calculating accurate disbursement reports and reimbursement requests. Detailed expenditure reports will be generated for end of year reporting with the Accounting Specialist, Accounts Payable Coordinator and the Executive Director of Business Services completing a final review process providing signatures indicating review and accuracy before filing.

**Anticipated Completion Date: March 1, 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/>.