

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
02/06/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Bonifant	07-01-17 to 06-30-20
Superintendent of Schools	Dr. Douglas Arnold Dr. James Callane (interim) Dr. James Callane	07-01-17 to 05-31-18 06-01-18 to 06-30-18 07-01-18 to 06-30-20
President of the School Board	Christy Householder Robert Daine	01-01-17 to 12-31-17 01-01-18 to 12-31-20



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Maconaquah School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 13, 2020, 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.

***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) to determine the 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, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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)

***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 2019-001.

***Maconaquah School Corporation's Response to Findings***

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.

  
Paul D. Joyce, CPA  
State Examiner

January 13, 2020



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

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

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

We have audited the Maconaquah School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2019-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding procurement and suspension and debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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)

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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.

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)


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, and 2019-004, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance 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.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 13, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.

  
Paul D. Joyce, CPA  
State Examiner

January 13, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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



MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			17-5615	-	109,362	-	-
Title I			18-5615	-	252,338	-	146,566
Title I			18611-001-PN01	-	-	-	278,823
Total - Title I Grants to Local Educational Agencies				-	361,700	-	425,389
Rural Education	Indiana Department of Education	84.358					
Title VI Pt B Subpart 2 FY2018			S424A180015	-	-	-	32,665
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Pt A			S367A160013	-	50,481	-	-
Title II Pt A			S367A170013	-	-	-	71,124
Total - Supporting Effective Instruction State Grants				-	50,481	-	71,124
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Pt A FY18 Student Support/Robotics			S367A180013	-	-	-	15,780
Gaining Early Awareness and Readiness for Undergraduate Programs	Indiana Commission for Higher Education	84.334					
Gear UP grant			22001	-	2,423	-	-
Gear UP grant			29616	-	-	-	7,001
Total - Gaining Early Awareness and Readiness for Undergraduate Programs				-	2,423	-	7,001
Total - Department of Education				-	979,912	-	1,098,025
Total federal awards expended				\$ -	\$ 1,866,556	\$ -	\$ 1,897,848

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

MACONAQUAH SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. 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 a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MACONAQUAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Qualified Unmodified

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

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

**FINDING 2019-001**

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

*Condition and Context*

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 School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, for accuracy prior to submission.

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

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

1. The Special Education Grants to States expenditures were overstated by \$2,263 for the year ended June 30, 2018, and understated by \$16,823 for the year ended June 30, 2019.
2. The Special Education Preschool Grant expenditures were understated by \$786 for the year ended June 30, 2018, and understated by \$5,441 for the year ended June 30, 2019.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$375 for the year ended June 30, 2019.
4. The Gaining Early Awareness and Readiness for Undergraduate Programs expenditures were erroneously omitted; therefore, the SEFA was understated by \$2,423 for the year ended June 30, 2018. The expenditures were understated by \$5,553 for the year ended June 30, 2019.
5. Seven of the nine federal programs did not have the correct program title.
6. Eight of the nine federal programs had errors in the identifying numbers.
7. Two of the federal programs did not have the correct pass-through entity.

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

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section 200.510 Financial statements."

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 Basis for determining Federal awards expended. 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 CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

*Cause*

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

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

MACONAQUAH 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.

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

**FINDING 2019-002**

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Earmarking  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 17-5615, 18-5615, 18611-001-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Matching, Level of Effort, and Earmarking compliance requirements.

The School Corporation did not have internal controls in place to ensure that the expenditures were properly classified and solely for the earmarked purposes in the grant application for homeless students. The School Corporation did not have internal controls in place to ensure that grant funds were expended for allowable activities and the costs involved were chargeable or assignable to the federal award.

Expenditures totaling \$9,234 were for transportation services that included all children and not specifically for the costs of the federal award. These expenditures were erroneously classified for homeless students and were not specifically for homeless students.

The disbursements noted above failed to comply with the Activities Allowed or Unallowed and Allowable Costs/Costs Principles compliance requirements. The expenditures were not incurred specifically for the federal award and resulted in know questioned costs of \$9,234.

The lack of controls for earmarking requirements was a systemic issue throughout the audit period. The lack of controls for activities allowed or unallowed and allowable costs/cost principles was isolated to the expenditures noted above. The noncompliance was isolated to the 2018 grant year and the expenditures noted above.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.405(a) states in part:

"A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

(1) Is incurred specifically for the Federal award; . . ."

20 USC 6313(c)(3) states:

"(A) In general

A local educational agency shall reserve such funds as are necessary under this part, determined in accordance with subparagraphs (B) and (C), to provide services comparable to those provided to children in schools funded under this part to serve-

- (i) homeless children and youths, including providing educationally related support services to children in shelters and other locations where children may live;
- (ii) children in local institutions for neglected children; and
- (iii) if appropriate, children in local institutions for delinquent children, and neglected or delinquent children in community day programs."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Matching, Level of Effort, Earmarking compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirements listed above.

*Questioned Costs*

Known questioned costs of \$9,234 were 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.

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

***FINDING 2019-003***

Subject: Title I Grants to Local Educational Agencies - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 17-5615, 18-5615, 18611-001-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Special Tests and Provisions - Annual  
Report Card, High School Graduation Rate  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-007.

*Condition and Context*

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 Eligibility and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that information submitted to the Indiana Department of Education for enrollment and poverty were supported by the School Corporation's records.

*Special Tests and Provisions - Annual Report Card, High School Graduation Rate.*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that reasons for mobility reporting were supported by appropriate documentation.

The lack of controls was a systemic issue, which occurred 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). . . ."

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Views of Responsible Officials*

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

**FINDING 2019-004**

Subject: Child Nutrition Cluster - Procurement  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017-2018, FY 2018-2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

*Condition and Context*

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 procurement requirements.

The School Corporation did not comply with the procurement requirements for micro-purchases, small purchases, and simplified acquisition procurements during fiscal year 2017-2018. The School Corporation purchased goods without the appropriate procurement procedures in place.

*Simplified Acquisition*

The School Corporation did not solicit bids for purchases that exceeded \$150,000 for simplified acquisitions that were initiated by the School Corporation.

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

*Small Purchases*

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

*Micro-Purchase*

The School Corporation did not have procedures in place to ensure that micro-purchases were distributed equitably among qualified suppliers for purchases less than \$3,500.

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was limited to 2017-2018. The noncompliance accounted for 43 percent of the total procurement disbursements in the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute Micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-001***

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1160 and x 1900

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

The food service director receives a monthly revenue and expenditure report to better monitor the cash flow of the food service program. The food service director has been replacing outdated equipment to help with a spend-down plan when the ending cash balance exceeds the three-month average of expenditures.

The treasurer will also work closely with the food service director to monitor such balance.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-002**

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1160 and x 1900

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

Beginning with the 2018-2019 School year the food service director has ensured that the bidding of food purchasing goes before the School Board for review and approval.

Beginning with the 2018-2019 School year the food service director has been more diligent of keeping any quote documentation for the small purchase method from an adequate number of qualified sources.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-003**

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1160 and x 1900

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

The Paid Lunch Equity calculation online template was used by the School Corporation, but the meal prices for Maconaquah Elementary and Pipe Creek Elementary were not increased correctly for the 2015-2016 school year.

The lunch prices have since been corrected.

The food service director shall provide the School Board with such calculations for review and approval to assist in maintaining internal control standards and reduce errors.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-004***

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1160 and x 1900

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

The School Corporation uses an outside vendor to compile our information into a report format. We had this company do a complete inventory sweep of all our kitchens this past year and lowered their scanning threshold to have a more in depth inventory. Once the report is received it is compared to the school records and reviewed for accuracy.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-005**

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1160 and x 1900

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

The treasurer and food service director have developed a procedure that will help ensure that the lunch claims for reimbursements submitted are reviewed for accuracy and will continue this plan in the future. The review procedure is indicated by both the treasurer and food service director signing the reimbursement document.

Tina M. Bonifant

Treasurer/ Business Manager  
(Title)

12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-006***

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer and Kelly McPike, Title I Director

Contact Phone Number: 765-689-9131 x 1160 and x 3000

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2015 – June 30, 2017, and have implemented the following:

To continue to properly follow the internal controls guidelines, the treasurer provides the Title I monthly expenditure report and cash reimbursement report and supporting documentation for review to help ensure that all information reported is correct to the best of our knowledge. The Title I director acknowledges this review by signing the monthly reports. This proper oversight shall continue to minimize undetected errors.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-007***

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Chad Carlson, Principal and Tina Bonifant, Treasurer

Contact Phone Number: 765-689-9131 x 5000 and x 1160

#### Status of Audit Finding:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2015 – June 30, 2017.

The high school principal and/or high school guidance department is working on implementing a system of having a second reviewer when students are entering the school corporation or transferring out. The system will also be able to show the review of the supporting documentation.

\_\_\_\_\_  
Tina M. Bonifant

\_\_\_\_\_  
Treasurer/ Business Manager  
(Title)

\_\_\_\_\_  
12/3/19

# MACONAQUAH SCHOOL CORPORATION

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7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## CORRECTIVE ACTION PLAN

### ***FINDING 2019-001***

Contact Person Responsible for Corrective Action: James Callane, Supt

Contact Phone Number: 765-689-9131 x 1100

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer

Contact Phone Number: 765-689-9131 x 1160

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2017 – June 30, 2019.

The treasurer will provide adequate training to the superintendent or other office personnel to help ensure accuracy when reviewing the SEFA.

Anticipated Completion Date: Immediate.

# MACONAQUAH SCHOOL CORPORATION

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7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## CORRECTIVE ACTION PLAN

### ***FINDING 2019-002***

Contact Person Responsible for Corrective Action: Kelly McPike, Principal  
Contact Phone Number: 765-689-9131 x 3000  
Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer  
Contact Phone Number: 765-689-9131 x 1160

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2017 – June 30, 2019.

Title I director and the transportation director will collaborate to implement a method for more detailed information regarding homeless students' transportation needs. Also, to prorate the amount of the bus driver's time and effort for transporting homeless students, ensuring the proper amount is billed to the Title I program.

Anticipated Completion Date: Immediate.

# MACONAQUAH SCHOOL CORPORATION

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7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## CORRECTIVE ACTION PLAN

### ***FINDING 2019-003***

Contact Person Responsible for Corrective Action: Chad Carlson, Principal

Contact Phone Number: 765-689-9131 x 5000

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer

Contact Phone Number: 765-689-9131 x 1160

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2017 – June 30, 2019.

The school is working on developing controls to ensure the accurate submission of the weekly RealTime reports.

The high school principal and school guidance department will ensure that a second reviewer is signing and dating the supporting documentation when students are entering the school corporation or transferring out. Personnel will develop a method to ensure the proper documentation is on file to concur with the proper mobility code. This will help ensure that the information contained on the required reports is accurate and valid.

Anticipated Completion Date: Immediate.

# MACONAQUAH SCHOOL CORPORATION

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7932 S Strawtown Pike, Bunker Hill, IN 46914 765-689-9131

Dr. James M. Callane, Supt.

## CORRECTIVE ACTION PLAN

### ***FINDING 2019-004***

Contact Person Responsible for Corrective Action: Kim Lewis, Food Service Director

Contact Phone Number: 765-689-9131 x 1900

Contact Person Responsible for Corrective Action: Tina Bonifant, Treasurer

Contact Phone Number: 765-689-9131 x 1160

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the year of July 1, 2017 – June 30, 2019.

The food service director and the treasurer will implement a better system to review allowable claims and vendors to ensure compliance related to procurement and debarment requirements.

Anticipated Completion Date: Immediate.

#### 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/>.