

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

GRIFFITH PUBLIC SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/25/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards	12
Schedule of Findings and Questioned Costs	13-19
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	22-28
Corrective Action Plan	29-32
Other Reports	33

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Meghan Damron	07-01-17 to 12-31-20
Superintendent of Schools	Dr. Peter Morikis Michele Riise	07-01-17 to 02-09-18 02-10-18 to 12-31-20
President of the School Board	Gary Sutton Leah Powell-Dumezich Gary Sutton Jennifer Dildine Kathy Ruesken	07-01-17 to 12-31-17 01-01-18 to 06-30-18 07-01-18 to 08-27-19 08-28-19 to 12-31-19 01-01-20 to 12-31-20



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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 GRIFFITH PUBLIC SCHOOLS, LAKE 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 Griffith Public Schools (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 23, 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.

Griffith Public Schools' 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 23, 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 GRIFFITH PUBLIC SCHOOLS, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Griffith Public Schools' (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. Except as discussed below, 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 the Child Nutrition Cluster

As described in item 2019-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the 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 the Child Nutrition Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the 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 the 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 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.

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 and 2019-003, that we consider to be material weaknesses.


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)

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 23, 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 23, 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.

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GRIFFITH PUBLIC SCHOOLS
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
Department of Agriculture							
Child Nutrition Cluster School Breakfast Program	Indiana Department of Education	10.553	FY 17-18, FY 18-19	\$ -	\$ 156,331	\$ -	\$ 177,832
National School Lunch Program National School Lunch	Indiana Department of Education	10.555	FY 17-18, FY 18-19	-	566,640	-	639,276
National School Lunch (And Snack)			FY 17-18, FY 18-19	-	12,611	-	7,833
National School Lunch - Commodities			FY 17-18, FY 18-19	-	85,084	-	83,489
Total - National School Lunch Program				-	664,335	-	730,598
Summer Food Service Program for Children Summer Food Program	Indiana Department of Education	10.559	FY 17-18, FY 18-19	-	28,605	-	26,569
Total - Child Nutrition Cluster				-	849,271	-	934,999
Total - Department of Agriculture				-	849,271	-	934,999
Department of Education							
Special Education Cluster (IDEA) Special Education Grants to States	Indiana Department of Education	84.027					
FY 16 Federal Part B 611 Grant			14216-045-PN01	-	2,349	-	-
FY 17 Federal Part B 611 Grant			14217-045-PN01	-	154,189	-	-
FY 18 Federal Part B 611 Grant			18611-045-PN01	-	507,987	-	75,567
FY 19 Federal Part B 611 Grant			19611-045-PN01	-	-	-	488,589
Total - Special Education Grants to States				-	664,525	-	564,156
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 17 Federal Preschool 619 Grant			45717-045-PN01	-	8,723	-	-
FY 18 Federal Preschool 619 Grant			18619-045-PN01	-	7,516	-	10,082
FY 19 Federal Preschool 619 Grant			19619-045-PN01	-	-	-	8,701
Total - Special Education Preschool Grants				-	16,239	-	18,783
Total - Special Education Cluster (IDEA)				-	680,764	-	582,939
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 4114			S010A180014	-	342,381	-	71,973
Title I 4113			S010A170014	-	47,612	-	-
Title I 4115			S010A180014	-	-	-	291,680
Total - Title I Grants to Local Educational Agencies				-	389,993	-	363,653
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A - 6840-18			S367A180013	-	-	-	2,029
Title II A - 6840-16			S367A180013	-	23,608	-	-
Title II A - 6840.17			S367A170013	-	67,921	-	9,173
Total - Supporting Effective Instruction State Grants				-	91,529	-	11,202
Total - Department of Education				-	1,162,286	-	957,794
Total federal awards expended				\$ -	\$ 2,011,557	\$ -	\$ 1,892,793

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

GRIFFITH PUBLIC SCHOOLS
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 was 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 in 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.

As of April 2018, the School Corporation approved to withdraw from the Cooperative effective June 30, 2019.

GRIFFITH PUBLIC SCHOOLS
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: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions.

The School Corporation converted to new accounting software in January 2019. Then in July 2019, the School Corporation determined that the accounting software was not adequate and converted to second accounting software. The School Corporation converted all the transactions from January 1, 2019, to the second accounting software purchased. The internal control system of the School Corporation related to cash and investments, receipts, and disbursements was not properly designed or implemented to ensure accuracy and completeness of the transactions.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts and Disbursements - Transfers Between Funds

The School Corporation had not properly implemented internal controls over the recording of transactions for transfers between funds to ensure the accuracy and completeness of the ledgers. Transfers between funds totaling \$1,360,170 were not recorded in the ledgers. Instead, an adjustment to the cash balances on January 1, 2019, was made when the School Corporation began using new accounting software. This resulted in the December 31, 2018 ending cash and investment balances of certain funds not agreeing to the January 1, 2019 beginning cash and investment balances of the same funds. Additional audit procedures were performed to substantiate the transfer amounts not properly recorded.

The transfers between funds were reported in the financial statement.

Cash and Investments (Bank Reconciliations)

The School Corporation had not properly implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers throughout the conversions to new accounting software.

The monthly bank reconciliations for January 2019 through June 2019 presented and signed by the School Board members indicated an adjusted bank balance amount, but did not indicate an amount for the fund report balance or an amount for the difference between the adjusted bank balance and the fund report balance. The bank reconciliations presented to and reviewed by the School Board were incomplete.

Receipts and Disbursements - Employer Benefit Costs

The School Corporation had not properly designed and implemented internal controls over the recording of transactions for employer benefit costs to the various funds, and the Payroll Clearing funds, or over the reconciliation of those Payroll Clearing funds to ensure the accuracy and completeness of the ledgers.

In November 2019, the School Corporation posted a receipt adjustment so that both the biweekly employee withholdings, as well as the related employer benefit costs, were accounted for through the Payroll Clearing funds. However, the adjustment posted did not take into account the employee withholdings that were already posted to the Payroll Clearing funds. This resulted in the Payroll Clearing fund receipts and disbursements to be overstated by \$1,265,518.

Furthermore, the January through June 2019 biweekly employer benefit costs for health insurance were posted to the Education, Operations, and the 4115 Title I funds, totaling \$1,144,834. These employer benefit costs were not receipted to nor disbursed from the Payroll Clearing funds.

When the monthly health insurance premiums were paid, these disbursements were also posted to the Education, Operations, and the 4115 Title I funds. This resulted in the overstatement of disbursements in the Education, Operations, and 4115 Title I funds by \$909,000, \$216,717, and \$19,117, respectively.

The overstatement of receipts and disbursements resulted in an unidentified variance of \$120,684 as of June 30, 2019. The financial statement was not adjusted for these posting errors.

GRIFFITH PUBLIC SCHOOLS
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. . . .

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established or implemented a proper system of internal controls.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to properly establish a system of internal controls enabled material transactions to be omitted from the ledgers and resulted in the financial statement not being in agreement with the ledgers. The failure to properly implement a system of internal controls over cash and investments enabled misstatements or irregularities to remain undetected for months before correcting entries were posted. The failure to properly establish and implement a system of internal controls over receipts and disbursements for employer benefit costs enabled misstatements or irregularities to remain undetected.

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: School Breakfast Program and National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP); National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity

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 17-18, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-004.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Special Tests and Provisions - Verification of Free and Reduce Price Applications (NSLP)

There was no documentation that an oversight or review process had been established to ensure the accuracy of the verifications performed. The lack of controls were systemic issues throughout the audit period.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - Paid Lunch Equity

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation for fiscal year 2017-2018. The control over the paid lunch equity calculation was effective for 2018-2019.

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

The School Corporation's management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

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. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-003

Subject: School Breakfast Program and National School Lunch Program - Eligibility
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 17-18, FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

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 compliance requirement.

The School Corporation used a food software program to store, manage, and automatically make the eligibility determinations dependent upon the information entered into the software by the parents, guardians, or school lunch employees.

The School Corporation changed software vendors in April 2018 and no longer had access to the eligibility determinations that were made prior to April 2018. Therefore, we were unable to determine compliance with the Eligibility requirements for fiscal year 2017-2018. Additionally, we were unable to ensure that the federal income guidelines entered into the software program were accurate for 2017-2018.

The School Corporation did not have a proper system of oversight or review to ensure that the federal income guidelines entered into the software program were accurate for 2018-2019.

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 200.333 states in part:

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

GRIFFITH PUBLIC SCHOOLS
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 that supporting documentation was maintained and made available for audit related to the Eligibility compliance requirement for 2017-2018. The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Eligibility compliance requirement for 2018-2019.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement for 2017-2018. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement for 2018-2019. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure documentation will be maintained and available for audit in order to comply with the Eligibility compliance requirement and to establish controls to comply with the Eligibility compliance requirement.

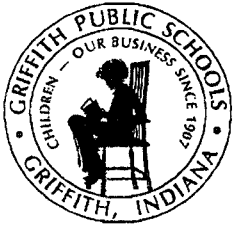
Views of Responsible Officials

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.



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Superintendent, District Discipline Advisor
Michele Riise

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Kathy Ruesken, First Vice President
John Dudlicek, Second Vice President
Richard Leber, Secretary
Donald McCarter, Assistant Secretary


SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

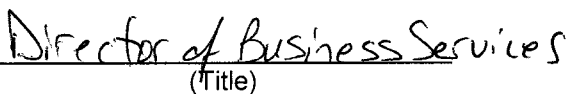
FINDING 2017-001


Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Meghan Damron
Contact Phone Number: 219-924-4250

Status of Audit Finding:

As of April of 2018, the treasurer, after reconciling the banks and printing the receipts would then review the receipts and sign pages throughout the document. This has been the process until we switched financial systems in January of 2019. We are continually reviewing the new system on being able to put processes in place. Currently the receptionist enters the receipts; the treasurer reviews the entered receipts before making them permanent in the system, and then reconciles the bank. After further review there is a report that I can print the receipts and sign off on them and this will begin November 2019. From there the treasurer does update cash flow statements as another review form of the receipting process.


(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: FY 2016, FY 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Joseph Blissett
Contact Phone Number: 219-924-4250

Status of Audit Finding: The corrective action was implanted on April 26th, 2018. All monthly financial management system reports are being signed. The process seems to be working well and no changes have been made to this process. Since this audit the IDOE has audited the food service department and found the process to be satisfactory.



(Signature)

Director of food

(Title)

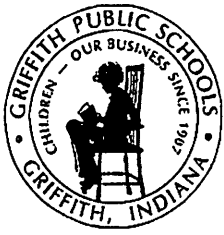
11-20-19

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: FY 17-8, FY 18-19

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

Contact Person Responsible for Corrective Action: Joseph Blissett

Contact Phone Number: 219-924-4250

Status of Audit Finding: The corrective action is ongoing. Edit checks are being done on all annual verification reports. Also the reports are being signed to note that this edit check has been completed. The AFR will have two signatures to note that someone other than the person completing the report has reviewed it for errors.



(Signature)

Director of Food

(Title)

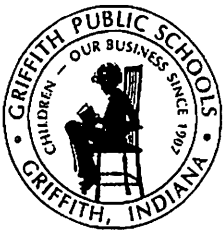
1-23-20

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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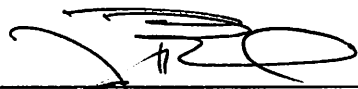
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Richard Leber, Secretary
Donald McCarter Assistant Secretary

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: FY 17-8, FY 18-19
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Joseph Blissett
Contact Phone Number: 219-924-4250

Status of Audit Finding: The corrective action is ongoing. The monthly financial report is being signed to indicate it has been reviewed. The food service director will verify that the verification process is completed and correct, then document that this step has been completed. The food service director will have another knowledgeable person look over and verify the PLE calculations are correct, then document that this step has been completed.



(Signature)

Director of Food

(Title)

1-23-20

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-

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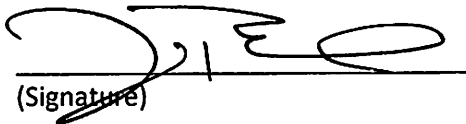
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Donald McCarter Assistant Secretary

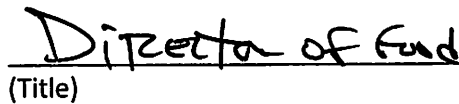
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

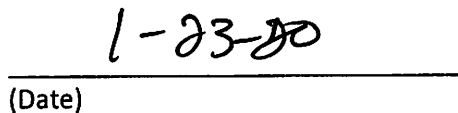
FINDING 2017-005

Fiscal year in which the finding initially occurred: FY 2016, FY 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Joseph Blissett
Contact Phone Number: 219-924-4250

Status of Audit Finding: The corrective action was implanted on April 26th, 2018. All price comparisons and quotes are being kept on file for review in future audits. The process seems to be working well and no changes have been made to this process. Since this audit the IDOE has audited the food service department and found the process to be satisfactory.


(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Meghan Damron and Leah Dumezich

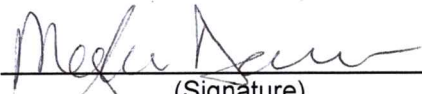
Contact Phone Number: 219-924-4250

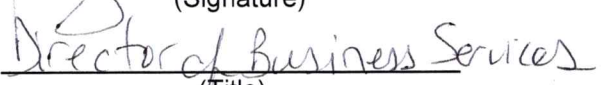
Status of Audit Finding: The Director of Business Services and Grants Manager review monthly expenditure reports and both parties sign off on the final report run for submission. Grants manager effectively communicates with the Director of Business Services and School Superintendent on all grant reports. The School Superintendent provides signature on all grant assurance documents. All grant documentation is saved electronically and printed for filing purposes.

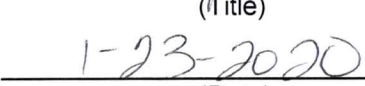
For the period of performance a review at the end of the month for reimbursements is performed by the Director of Business Services. At this time if there is a discrepancy found that should need an adjustment a conversation is then had with the Grants manager to verify the adjustment needed before the adjustment gets entered into the system. The adjustment is then documented for the grant file on what needed to be done and why.

The annual expenditure report is prepared by the Director of Business Services, reviewed by either the Grants manager or Superintendent, signed by all parties who reviewed/prepared before it is submitted.

We have implemented that the School Wide Plans to be submitted for board approval and then submitted to the DOE on-line. This will then meet the requirement for officials being involved as each school is to give a presentation to the board with yearly follow-ups, sooner if needed.



(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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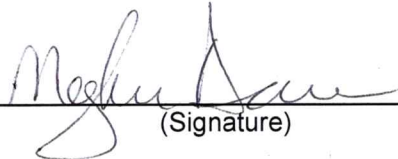
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

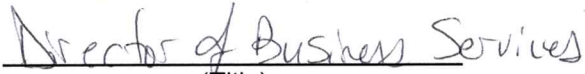
Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Meghan Damron and Leah Dumezich
Contact Phone Number: 219-924-4250

Status of Audit Finding:

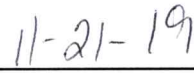
As of July 1, 2018: The Grants Manager has worked directly with the Director of Finance on the Comparability Requirements. All reports are signed by the Grants Manager and Superintendent of Schools. All letters of Assurance are signed by the Superintendent of Schools and sent to the DOE for submission. All Title 1 documentation and signatures of assurance are saved electronically by the Grants Manager. The Grants Manager also has a printed copy of all grant documentation and signed assurances. We are currently in the process of uploading these documents into a web-based system called Yellow Folder. The folders have been created. We are just working on scanning all the files into this system. The Grants Manager, Director of Finance, and Superintendent review all Title grants before submission.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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Donald McCarter Assistant Secretary

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Meghan Damron
Contact Phone Number: 219-924-4250

Views of Responsible Official:

We concur with the finding. The School Corporation did convert to new accounting software starting January 2019. After the first month with the new software it was apparent we had problems with the system. We worked diligently for two more months with the new software in trying to correct the problems that had been found. The new software company was unable to meet our needs and it was at this time that we had needed to make another change. We converted again and began using the second new accounting software July of 2019.

Receipts and Disbursements – Transfer Between Funds

Again we concur that the transfer was not recorded properly in the new accounting software, but the balances were still correct and the movement of monies from general fund to education fund and Transportation, Capital Projects and Bus Replacement to Operations were the correct beginning balances for January 2019.



Cash and Investments (Bank Reconciliations)

After the first month in the new accounting system it was discovered that their bank reconciliation module did not work and it was stated to us that they knew it did not work properly and they advised to create an excel spreadsheet. Working diligently to create this new spreadsheet as well as work to verify their reports on financials we were able to provide to the board bank reconciliations, but correct in that the new system was working on a fund report for us that they were never able to complete. The bank reconciliation has been corrected in the second new system for the next audit period.

Receipts and Disbursements – Employer Benefit Costs

Previous to our conversion the employer costs from payroll would be placed into a clearing account and then the benefit expenditure and employer portion from clearing account would be paid with an invoice. The new setup was that employer portion of the benefit would be applied to the expenditure line and moved to a clearing fund so when the invoice came in it would all be paid from the clearing account. There was confusion in the new process that caused double expenditures in the ledgers for the employer portion of the invoice, but not a double payment to the vendor. This was corrected in the software system for the next audit period.

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Description of Corrective Action Plan:

After a year of extreme frustration with accounting software conversion, we will make sure that the transfer between funds is recorded properly every time in the ledgers. This will be done by the Director of Business Services creating the voucher, signing and dating the voucher and then given to the accounts payable specialist to process and then the administrative assistant to receipt into the system. The Director of Business Services is then a third reviewer with the bank reconciliements and end of month reporting that this was done properly.

The bank reconciliations process has been corrected, but moving forward the Director of Business Services will have a meeting once a year with the board on how they can validate the work has been done properly. This includes adding a section onto the signature page showing the fund balance plus clearing report balance and any differences from the bank to the ledgers and what the difference is.

The employer benefit costs have been setup that from payroll the expenditure gets booked for the employer portion to the correct account and moved to the clearing account to wait for the invoice to be paid monthly. This will prevent the accounts payable specialist from making an entry error upon payment of said invoice. The employee and employer portion of health benefits gets paid out of one account, but recorded properly on the ledger side. Clearing account monthly audits will be done in order to verify that this process is being done correctly.

Anticipated Completion Date:

The anticipated completion date for all corrections for this finding is December 2019.



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Donald McCarter Assistant Secretary

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Joseph Blissett



Contact Phone Number: 219-924-4250

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The corrective action is ongoing. The food service director will verify that the verification process is completed and correct, then document that this step has been completed. The food service director will have another knowledgeable person look over and verify the PLE calculations are correct, then document that this step has been completed.

Anticipated Completion Date: January 1st, 2021

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Donald McCarter Assistant Secretary

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Joseph Blissett

Contact Phone Number: 219-924-4250

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The corrective action is ongoing. The food service director will ensure that complete records are kept for audit and business purposes. The food service director will verify that the income limits are correct in the POS system, then document that this step has been completed.

Anticipated Completion Date: August 1st, 2020

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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/>.