

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CULVER COMMUNITY SCHOOL CORPORATION

MARSHALL COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/28/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Casey Howard	07-01-17 to 06-30-20
Superintendent of Schools	Karen Shuman	07-01-17 to 06-30-20
President of the School Board	Mark Maes Jack L. Jones Theresa Thompson	01-01-17 to 12-31-17 01-01-18 to 12-31-19 01-01-20 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 CULVER COMMUNITY SCHOOL
CORPORATION, MARSHALL 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 Culver Community 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 February 5, 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 items 2019-001 and 2019-002, that we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

Culver Community 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
Paul D. Joyce, CPA
State Examiner

February 5, 2020



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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 CULVER COMMUNITY SCHOOL CORPORATION, MARSHALL COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Culver Community 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.

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)

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 items 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these 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 2019-003, 2019-004, and 2019-005, 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 February 5, 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

February 5, 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.

CULVER COMMUNITY 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	SY 17-18	\$ -	\$ 56,301	\$ -	\$ -
School Breakfast Program			SY 18-19	-	-	-	52,475
Total - School Breakfast Program				-	56,301	-	52,475
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	SY 17-18	-	209,882	-	-
National School Lunch Program			SY 18-19	-	-	-	205,447
National School Lunch Program-Commodities			SY 17-18	-	40,526	-	-
National School Lunch Program-Commodities			SY 18-19	-	-	-	35,853
Total - National School Lunch Program				-	250,408	-	241,300
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	SY 17-18	-	13,798	-	-
Summer Food Service Program			SY 18-19	-	-	-	15,923
Total - Summer Food Service Program				-	13,798	-	15,923
Total - Child Nutrition Cluster				-	320,507	-	309,698
Total - Department of Agriculture				-	320,507	-	309,698
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed 611 15-16 FY2016			14216-103-PN01	-	1,744	-	-
Special Ed 611 16-17 FY2017			14217-103-PN01	-	62,946	-	-
Special Ed 611 17-18 FY2018			18611-103-PN01	-	304,940	-	29,514
Special Ed 611 18-19 FY2019			19611-103-PN01	-	-	-	286,696
Total - Special Education Grants to States				-	369,630	-	316,210

CULVER COMMUNITY 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
Part B 619 Spec Educ FY2017			45715-103-PN01	-	7,708	-	-
Part B 619 Spec Educ FY2018			18619-103-PN01	-	-	-	8,918
Total - Special Education Preschool Grants				-	7,708	-	8,918
Total - Special Education Cluster				-	377,338	-	325,128
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A 2016-2017			S010A150014	-	22,261	-	-
Title I Part A 2017-2018			S010A150014	-	158,175	-	18,766
Title I Part A 2018-2019			S367A180013	-	-	-	166,237
Total - Title I Grants to Local Educational Agencies				-	180,436	-	185,003
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FY 16			S367A160013	-	11,754	-	257
Title II Part A FY 17			S367A170013	-	10,878	-	17,440
Total - Supporting Effective Instruction State Grants				-	22,632	-	17,697
Total - Department of Education				-	580,406	-	527,828
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778	FY 17-18	-	13,030	-	-
Medical Assistance Program			FY 18-19	-	-	-	8,262
Total - Department of Health and Human Services				-	13,030	-	8,262
Total federal awards expended				\$ -	\$ 913,943	\$ -	\$ 845,788

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

CULVER COMMUNITY 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.

CULVER COMMUNITY 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:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2019-001

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

Repeat Finding

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

Condition and Context

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established an effective system of internal controls related to cash and investments, and financial reporting.

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

The School Corporation had implemented controls related to the bank reconciliations; however, the controls were not effective. Due to the lack of effective controls, a variance of \$24,906 existed between the reconciled bank balances and the record balances as of June 30, 2019.

Financial Reporting

The School Corporation had implemented controls for financial reporting; however, the controls were not effective. Due to the lack of effective controls, the following errors occurred on the financial statement and were not detected and corrected:

1. In 2015, bonds were issued through the Culver School Building Corporation, a related-party of the School Corporation; but their financial transactions were erroneously included on the School Corporation's financial reports for fiscal year 2017-2018. This resulted in an overstatement of the School Corporation's financial statement for cash and investments beginning balance of \$580,284; receipts of \$4,327; and disbursements of \$584,611.
2. The School Corporation inadvertently reported disbursements from July 2019 for 12 funds. In total, disbursements for 2018-2019 were overstated \$860,156, and cash and investments, at June 30, 2019, was understated the same amount.

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

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. . . ."

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

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

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2019-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

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, to ensure that it was accurate prior to submission.

CULVER COMMUNITY 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 School Breakfast Program expenditures were understated by \$42,016 for the year ended June 30, 2019.
2. The National School Lunch Program expenditures were understated by \$99,840 for the year ended June 30, 2019.
3. The National School Lunch Program commodities were understated by \$40,526 for the year ended June 30, 2018, and by \$35,853 for the year ended June 30, 2019.
4. The Summer Food Service Program expenditures were understated by \$13,798 for the year ended June 30, 2018, and by \$15,923 for the year ended June 30, 2019.
5. The Medical Assistance Program expenditures were overstated by \$431 for the year ended June 30, 2018, and by \$52,510 for the year ended June 30, 2019.
6. Four of the eight federal programs did not have the correct program title.
7. Two of the eight federal programs did not have the correct pass-through entity.
8. One of the eight federal programs did not have the correct federal CFDA number.
9. One of the eight federal programs did not have the correct federal grantor agency.

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. . . .

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-003

Subject: Child Nutrition Cluster - Eligibility, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 17-18, SY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
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 was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals without a system of oversight or review. Additionally one employee updated the eligibility guidelines without a system of oversight or review.

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that proper verification of Free and Reduced Price Applications were completed. One employee was responsible for performing the verification of Free and Reduced Price Applications without a system of oversight or review.

The lack of controls over the Eligibility compliance requirement was a systemic issue throughout the audit period. The lack of controls over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was isolated to fiscal year 2017-2018.

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 that would have ensured compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 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 compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-004

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 17-18, SY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 procurement requirement of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not comply with the procurement requirements for micro-purchases and small purchases during the audit period. The School Corporation purchased goods without the appropriate procurement procedures in place.

Small Purchases

The School Corporation did not obtain price and rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 for fiscal year 2017-2018, or \$10,000 for 2018-2019, which fell under the small purchase procedures.

Micro-Purchases

The School Corporation did not have procedures in place to ensure purchases were distributed equitably among qualified suppliers for purchases less the \$3,500 for 2017-2018, and \$10,000 for 2018-2019.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with 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.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2019-005

Subject: Child Nutrition Cluster - Cash Management
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): SY 17-18, SY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the cash management requirements that they limit their net cash resources in the School Lunch fund to three months average expenditures of the food service program. The School Corporation maintained excessive net cash resources for 9 of the 24 months of the audit period and they did not have an approved Indiana Department of Education spend down plan in place.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

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

CULVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Cash Management 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.

Culver Community Schools Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 15-16 and 16-17
Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Status of Audit Finding:

We are still working on educating and implementing controls as of July 2020.

Treasurer will complete the Schedule of Expenditures of Federal Awards (SEFA). After completion but before submission the Deputy Treasurer will review.

Future submission of SEFA will include the School Breakfast Program, National School Lunch Program, Summer Food Service Program, Career and Technical Education and the Medical Assistance Program correctly.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 15-16 and 16-17
Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Status of Audit Finding:

We have corrected all the findings listed below except for cash and investments and financial reporting. We are currently in the process of correcting these findings.

Receipts - The Secretary will receive all checks/cash, the Secretary will give checks/cash to Treasurer for review. Treasurer will give all checks/cash to the Secretary to prepare for actual bank deposit. The Treasurer will review deposit and initial approval for submission to local bank. After the Secretary submits deposits to bank the Treasurer will enter as receipts into financial software. After submitted into financial software the Secretary and/or part-time Deputy Treasurer and/or Superintendent will review.

Payroll Disbursements – Treasurer will process payroll and the School Board of Trustees will review that employees were paid from the proper funds.

Cash and Investments - The Treasurer balances monthly bank statements to financial software and creates monthly reports for the Board of Trustees. Prior to submitting financial statements and reports the Secretary will review and approve. The Board of Trustees will also approve in the following board meeting.

Financial Reporting – The Treasurer balances monthly bank statements to financial software and creates monthly reports for the Board of Trustees. Prior to submitting financial statements and reports the Secretary and part-time Deputy Treasurer will review and approve. The Board of Trustees will also approve in the following board meeting. Bonds have since been removed from the School's financial reports per Resolution 2018-02.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 15-16 and 16-17
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Status of Audit Finding:

We have corrected all the findings described below.

Title I Grants to Local Educational Agencies-Reporting-The annual financial report is submitted by the Title I Coordinator. The Treasurer creates all financials requested by the Title I Coordinator. The Title I Coordinator will create the annual report and the Superintendent will review and approve. The Title I Coordinator will then submit the annual financial report.

Special Tests and Provisions-Highly Qualified Teachers and Paraprofessionals – Principals will determine if staff are highly qualified and/or a paraprofessional. Secretary will confirm our staff are highly qualified teachers and/or paraprofessionals with proper documentation upon hiring.

Special Tests and Provisions-Annual Report Card, High School Graduation Rate – The Guidance Secretary may remove students from the cohort with documented review from the Guidance Counselor and Principal.

Special Tests and Provisions-Assessment System Security – Principals will have the employees provide the training with the training material provided by the Title I Coordinator. The Title I Coordinator and Principals will have all Certified Staff sign attendance roster for all trainings.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 15-16 and 16-17
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Status of Audit Finding:

We are still working on implementing controls for the Child Nutrition Cluster - Cash Management and Eligibility. The anticipated completion date is February 2020. All other findings were corrected as of August 2018.

Child Nutrition Cluster-Cash Management-The Food Service Director will monitor the School Lunch fund monthly cash balances to ensure that we are limited to three months average expenditures. The Food Service Director will then send to Treasurer for review.

Child Nutrition Cluster-Eligibility -Along with using the food service software which automatically made the eligibility determinations dependent upon the information entered in the software the Food Service Director along with the ECA Treasurers will review the eligibility determinations with proper documentation.

Child Nutrition Cluster-Program Income-After the ECA Treasurers provide the monthly meal counts the Treasurer will enter as a receipt into financial software. After submitted into financial software the Secretary and/or part time Deputy Treasurer and/or Superintendent will review.

Child Nutrition Cluster-Reporting-The Middle/High School ECA Treasurer will create the Monthly Sponsor Claims and the School Food Authority (SFA) Verification Collection Reports with review by the Food Service Director before submission. The Middle/High School ECA Treasurer and the Food Service Director will create the Annual Financial Report with review by the Corporation Treasurer before submission.

Special Tests and Provisions-Verification of Free and Reduced-Price Applications (NSLP)-Each ECA Treasurer will process the Verification of Free and Reduced Applications with review by the Food Service Director.

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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of the Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Cash and Investments - The Treasurer balances monthly bank statements to financial software and creates monthly reports for the Board of Trustees. Prior to submitting financial statements and reports the Deputy Treasurer will review and approve. The Board of Trustees will also approve in the following board meeting.

Financial Close and Reporting – Bonds have been removed from the School's financial reports per Resolution 2018-02. The Treasurer will report disbursements in the proper years for all funds. Fund financials are to be July-June of each school year.

Anticipated Completion Date: July 2020

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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of the Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Treasurer will complete the Schedule of Expenditures of Federal Awards (SEFA). After completion but before submission the Deputy-Treasurer will review.

Future submission of SEFA will include the School Breakfast Program, the National School Lunch Program, the National School Lunch Program commodities, the Summer Food Service Program and the Medical Assistance Program expenditures properly. Correct program titles, pass-through entity and federal CFDA numbers will be used.

Anticipated Completion Date: July 2020

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FINDING 2019-003

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of the Responsible Official:

We concur with the finding and these verifications have been corrected as of August 2018.

Description of Corrective Action Plan:

Child Nutrition Cluster-Eligibility – Along with using the food service software which automatically made the eligibility determinations dependent upon the information entered in the software the Food Service Director along with the ECA Treasurer will review the eligibility determinations with proper documentation.

Child Nutrition Cluster-Special Tests and Provisions – Verification of Free and Reduced Applications (NSLP) – The Food Service Director will verify free and reduced price applications with the review of the ECA Treasurer

Anticipated Completion Date: February 2020

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CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of the Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Child Nutrition Cluster-Small Purchases – The Food Service Director will obtain price and rate quotes from an adequate number of sources for purchases of goods or services that fall under the small purchase procedures.

Child Nutrition Cluster-Micro Purchases – The Corporation Business Manager/Treasurer will ensure purchases will be distributed equitably among qualified suppliers for the small purchase procedures.

We are still working on implementing controls over the procurement process.

Anticipated Completion Date: March 2020

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CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of the Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Child Nutrition Cluster-Criteria – The Food Service Director will monitor the School Lunch fund monthly cash balances to ensure that we are limited to three months average expenditures. The Food Service Director will then send to Corporation Business Manager/Treasurer for review.

Anticipated Completion Date: February 2020

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/>.