

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NORTH ADAMS COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/09/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Larry G. Carty Beth A. Quinn	07-01-17 to 06-30-19 07-01-19 to 06-30-21
Superintendent of Schools	Brent M. Lehman	07-01-17 to 06-30-20
President of the School Board	Benjamin S. Faurote Stacey L. Bussel	01-01-17 to 12-31-18 01-01-19 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 NORTH ADAMS COMMUNITY SCHOOLS, ADAMS 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 North Adams Community 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 14, 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.

***North Adams Community 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 14, 2020, except for our report on the Schedule of Expenditures  
of Federal Awards, for which the date is February 3, 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 NORTH ADAMS COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

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

We have audited the North Adams Community 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 Special Education Grants to States***

As described in item 2019-002 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 Special Education Grants to States regarding Matching, Level of Effort, Earmarking. 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 Special Education Grants to States***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Grants to States* 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 Special Education Grants to States for the period of July 1, 2017 to June 30, 2019.

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

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. 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.

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


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

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 14, 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 3, 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.

NORTH ADAMS COMMUNITY 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program							
	Indiana Department of Education	10.553	FY 17-18	\$ -	\$ 169,897	\$ -	\$ -
			FY 18-19	-	-	-	138,694
Total - School Breakfast Program				-	169,897	-	138,694
National School Lunch Program							
	Indiana Department of Education	10.555	FY 17-18	-	482,411	-	-
			FY 17-18	-	4,595	-	-
			FY 18-19	-	-	-	450,296
			FY 17-18	-	103,053	-	-
			FY 18-19	-	-	-	95,962
Total - National School Lunch Program				-	590,059	-	546,258
Summer Food Service Program for Children							
	Indiana Department of Education	10.559	FY 17-18	-	38,570	-	-
			FY 18-19	-	-	-	36,855
Total - Summer Food Service Program for Children				-	38,570	-	36,855
Total - Child Nutrition Cluster				-	798,526	-	721,807
Total - Department of Agriculture				-	798,526	-	721,807
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027	14217-001-PN01	-	297,335	-	716
			18611-001-PN01	-	136,416	-	392,017
			19611-001-PN01	-	-	-	66,526
Total - Special Education Grants to States				-	433,751	-	459,259
Special Education Preschool Grants							
	Indiana Department of Education	84.173	18619-001-PN01	-	18,287	-	5,716
			19619-001-PN01	-	-	-	17,159
Total - Special Education Preschool Grants				-	18,287	-	22,875
Total - Special Education Cluster (IDEA)				-	452,038	-	482,134
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010	S010A150014	-	74,138	-	-
			S010A170014	-	197,012	-	75,443
			S010A180014	-	-	-	203,159
Total - Title I Grants to Local Educational Agencies				-	271,150	-	278,602

NORTH ADAMS COMMUNITY 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
Education for Homeless Children and Youth	Indiana Department of Education	84.196	7000S196A160015 7000S196A170015	-	12,917	-	-
				-	-	-	13,200
Total - Education for Homeless Children and Youth				-	12,917	-	13,200
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287	S287C150014 S287C160014	-	-	-	-
				-	5,915	-	-
				-	195,067	-	73,951
Total - Twenty-First Century Community Learning Centers				-	200,982	-	73,951
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A150013 S367A160013 S367A170013 S367A180013	-	35,645	-	-
				-	17,504	-	23,119
				-	8,254	-	25,740
				-	-	-	15,021
Total - Supporting Effective Instruction State Grants				-	61,403	-	63,880
Career and Technical Education -- Basic Grants to States	Bluffton Harrison MSD	84.048	FY 17-18 FY 18-19	-	28,668	-	-
				-	-	-	22,831
Total - Career and Technical Education -- Basic Grants to States				-	28,668	-	22,831
Total - Department of Education				-	1,027,158	-	934,598
<u>Department of Health and Human Services</u>							
<u>Medicaid Cluster</u>							
Medical Assistance Program	Indiana Department of Education	93.778	FY 17-18 FY 18-19	-	66,663	-	-
				-	-	-	44,699
Total - Medical Assistance Program				-	66,663	-	44,699
Total - Medicaid Cluster				-	66,663	-	44,699
Total - Department of Health and Human Services				-	66,663	-	44,699
Total federal awards expended				\$ -	\$ 1,892,347	\$ -	\$ 1,701,104

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

NORTH ADAMS COMMUNITY 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. Adams Wells Special Services Cooperative**

The School Corporation is a member of the Adams Wells Special Services Cooperative and serves as the fiscal agent for it. As a result, some activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations as appropriate.

NORTH ADAMS COMMUNITY 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	Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified

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

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

**FINDING 2019-001**

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

*Repeat Finding*

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

*Condition and Context*

The School Corporation did not have proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

NORTH ADAMS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation failed to properly review the grant information prepared and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA. The officials prepared and reviewed the federal award information entered into Gateway; however, the review was ineffective.

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$782 and overstated by \$310,309 for the periods ending June 30, 2018 and 2019, respectively.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$434 for the period ending June 30, 2019.
3. The Education for Homeless Children and Youth expenditures were understated by \$12,917 and \$13,200 for the periods ending June 30, 2018 and 2019, respectively.
4. The Twenty-First Century Community Learning Centers expenditures were overstated by \$1,000 for the period ending June 30, 2018.
5. The Supporting Effective Instruction State Grants expenditures were overstated by \$42,581 for the period ending June 30, 2018.
6. The Career and Technical Education - Basic Grants to States expenditures were understated by \$15,416 for the period ending June 30, 2018.
7. The Medicaid Cluster expenditures were overstated by \$26,011 for the period ending June 30, 2018.
8. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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. . . .

NORTH ADAMS COMMUNITY SCHOOLS  
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 award years, the auditee may list the amount of Federal awards expended for each 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."

NORTH ADAMS COMMUNITY SCHOOLS  
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 2019-002**

Subject: Special Education Grants to States - Earmarking

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers (or Other Identifying Numbers): 14217-001-PN01, 18611-001-PN01,  
19611-001-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition and Context*

The School Corporation is a member of the Adams-Wells Special Services Cooperative (Cooperative). During fiscal year 2018-2019, the Cooperative spent the federal money on behalf of all its members, and there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that its expenditures were at least an amount that was the same proportion of the total subgrant as the number of non-public school students with disabilities within its boundaries was to the total of students with disabilities of the same age range.

The Non-Public Proportionate Share expenditures reported on the Proportionate Share Quarterly Monitoring Reports for the 14217-001-PN01 grant award could not be verified due to the lack of supporting documentation. Per inquiry of the Director of the Cooperative, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the non-public school usage percentage, which was calculated based on a time study conducted annually by the prior Cooperative's Director. The time studies for the 2017 grant were not available for audit.

NORTH ADAMS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the 2017 grant year.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

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. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

*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 compliance requirement listed above.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

NORTH ADAMS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance with the compliance requirement listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2019-003**

Subject: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A170014,  
S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

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 Eligibility compliance requirement.

The School Corporation compiled and uploaded student data, including poverty status, for Real Time reports. The October 1 Real Time Report of Pupil Enrollment (PE) was used by the Indiana Department of Education to pull data into the Title I application. These numbers were used to calculate Percent Poverty, which was then used to rank schools for Title I eligibility.

We tested the poverty status reported on the Real Time report for October 1, which was determined through Free or Reduced Meal applications submitted to the School Corporation's Food Service Department. Of the 40 applications sampled, we found two instances where a student's status was reported as free when it should have been reported as full pay. In addition, we found 6 instances where the Food Service Director had not reviewed a student's meal application. Upon inquiry of the Food Service Director, we became aware that only every third application was reviewed. Additionally, we became aware that IT and Food Service work together to verify discrepancies prior to the submission of the October 1 PE report; however, controls were deficient in preventing or detecting and correcting errors on the report.

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

NORTH ADAMS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

34 CFR 200.78(a)(1) states in part:

". . . an LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

*Cause*

Management of the School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Eligibility compliance requirement.

*Effect*

The failure to establish effective internal controls placed the School Corporation in noncompliance with the grant agreement and the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related the grant agreement and 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.



# North Adams Community Schools

625 Stadium Dr.  
Decatur, IN 46733

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: July 1, 2013-June 30, 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

Contact Person Responsible for Corrective Action: Beth Quinn

Contact Phone Number: 260-724-7146

Description of Corrective Action Plan: 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 Federal Awards (SEFA).

#### Status of Audit Finding:

Due to the retirement of Larry Carty, Treasurer, the SEFA was not reviewed before submission. In the future, the SEFA will be prepared by the Treasurer and will be reviewed by the Superintendent and the Director of Learning.

Brent Lehman – Superintendent

[www.nadams.k12.in.us](http://www.nadams.k12.in.us)

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# North Adams Community Schools

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-002***

Fiscal year in which the finding initially occurred: July 1, 2015-June 30, 2017

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

Contact Person Responsible for Corrective Action: Beth Quinn

Contact Phone Number: 260-724-7146

Description of Corrective Action Plan: Special Education Cluster (DEA)-Matching, Level of Effort, Earmarking and Reporting

#### Status of Audit Finding:

Proportionate share reports are signed by the six (6) business managers and the Special Education director and sent to the IDOE quarterly. Reimbursement reports are signed by all six (6) superintendents after they are prepared by the Special Education Office Manager and Special Education Director and then sent to IDOE for reimbursement. Expenditure reports are prepared monthly by LEA Treasurer and sent to the Cooperative where they are reviewed and then initialed by the Office Manager and Director. This report is sent to all six (6) schools. The Cooperative Manager prepares each claim form that the Director approves prior to being submitted to the LEA for payment. The proportionate share dollars are being spent in a way that is more straightforward and easier to track.

Brent Lehman – Superintendent

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# North Adams Community Schools

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-003***

Fiscal year in which the finding initially occurred: July 1, 2015-June 30, 2017

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

Contact Person Responsible for Corrective Action: Jennifer Peeper

Contact Phone Number: 260-724-7146

Description of Corrective Action Plan: Twenty-First Century Community Learning Centers-Reporting

#### Status of Audit Finding:

Since this finding, we no longer receive funds through the Twenty-First Century Community Learning Center Grant. The Director of Learning has implemented a new record keeping/reporting system with the Treasurer for all of our grants that we do receive funding to keep more accurate records. This system is in the form of a binder that the Director of Learning maintains with grant documents, requisitions/PO's, IDOE surveys, certifications, time/effort logs, non-pub forms. The Treasurer maintains a file with the grant copy, amendments, appropriation list, and the monthly reimbursements. The director of Learning also maintains a file in One Note that the Superintendent and Treasurer have access to. This file has all required documents saved in the case of employee turnover. All grant due dates continue to be entered into the Outlook calendar to ensure that they are filed in a timely manner.

Brent Lehman – Superintendent

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## CORRECTIVE ACTION PLAN

### FINDING 2019-001

Contact Person Responsible for Corrective Action: Beth Quinn  
Contact Phone Number: 260-724-7146

We concur with the finding.

Description of Corrective Action Plan:

The SEFA report continues to be a work in process. Since I have become the Treasurer, I will continue to improve the accuracy of this report and involve the Superintendent and Director of Learning to verify completeness and accuracy of information before submission.

Anticipated Completion Date: The corrective action was implemented immediately.

Brent Lehman – Superintendent  
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## CORRECTIVE ACTION PLAN

### FINDING 2019-002

Contact Person Responsible for Corrective Action: Beth Quinn  
Contact Phone Number: 260-724-7146

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. Proportionate Share quarterly reports are prepared by the Special Education Director and are shared with each of the six (6) school corporation business managers. The reports are signed by each of the business managers, signed by the director of Special Education at the Cooperative and then sent to IDOE following quarterly deadlines.
2. For the 2019 611 and 619 Federal Grants, proportionate share dollars will be budgeted and spent in a manner that is more straightforward and easier to track.

Anticipated Completion Date: The corrective actions were implemented the last quarter of 2017

Brent Lehman – Superintendent  
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## CORRECTIVE ACTION PLAN

### FINDING 2019-003

Contact Person Responsible for Corrective Action: Beth Quinn  
Contact Phone Number: 260-724-7146

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

Free and Reduced Lunch applications shall be processed following the most current USDA and State rules and regulations. The employees processing the applications shall be trained to understand the requirements of the program and the application process. More than one employee must be involved in the approval process of Free and Reduced Lunch applications. An additional employee shall review the Free and Reduced Lunch applications approval to verify the original approver is correct and accurately processing the free and reduced applications. Since North Adams Community Schools manually inputs paper Free and Reduced Lunch applications into the computer program and uses an online computer program (without interface of an employee) a second audit will be performed of EVERY paper Free and Reduced Lunch application and applications received online on a yearly basis. The second audit will be completed by a school employee other than the original approver. DC reports will include two signatures. Manual Edit Checks will be performed every 3<sup>rd</sup> month between Powerschool (student data base program) and Meal Plus (POS computer program). The first being completed prior to October 1<sup>st</sup>.

Anticipated Completion Date: The corrective action was implemented immediately.

Brent Lehman – Superintendent  
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260.724.7146

## 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/>.