

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

GREATER JASPER CONSOLIDATED SCHOOLS

DUBOIS 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	Monica Young	01-01-17 to 12-31-20
Superintendent of Schools	Dr. Tracy Lorey	07-01-17 to 06-30-20
President of the School Board	Bernard J. Vogler	01-01-17 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 GREATER JASPER CONSOLIDATED  
SCHOOLS, DUBOIS 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 Greater Jasper Consolidated 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 February 12, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Greater Jasper Consolidated 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

February 12, 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 GREATER JASPER CONSOLIDATED SCHOOLS, DUBOIS COUNTY, INDIANA

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

We have audited the Greater Jasper Consolidated 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.

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)

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

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

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in items 2019-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

***Qualified Opinion on Special Education Cluster (IDEA)***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2017 to June 30, 2019.

***Other Matters***

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

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)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 12, 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 12, 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.

GREATER JASPER CONSOLIDATED 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					
School Breakfast Program			FY2018	\$ -	\$ 114,215	\$ -	\$ -
School Breakfast Program			FY2019	-	-	-	120,275
Total - School Breakfast Program				-	114,215	-	120,275
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY2018	-	585,270	-	-
National School Lunch Program			FY2019	-	-	-	579,065
Commodities			FY2018	-	128,109	-	-
Commodities			FY2019	-	-	-	138,609
Total - National School Lunch Program				-	713,379	-	717,674
Total - Child Nutrition Cluster				-	827,594	-	837,949
Total - Department of Agriculture				-	827,594	-	837,949
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY 2016 Part B IDEA 611	Indiana Department of Education	84.027	14216-009-PN01	-	16,389	-	-
FY 2017 Part B IDEA 611			14217-009-PN01	-	405,601	-	5,617
FY 2018 Part B IDEA			18611-009-PN01	-	296,228	-	370,369
FY 2019 Part B IDEA			19611-009-PN01	-	-	-	306,307
Total - Special Education Grants to States				-	718,218	-	682,293
Special Education Preschool Grants							
FY 2017 Part B 619 Preschool	Indiana Department of Education	84.173	45717-009-PN01	-	16,028	-	118
FY 2018 Part B 619 Preschool			18619-009-PN01	-	4,788	-	15,193
FY 2019 Part B 619 Preschool			19619-009-PN01	-	-	-	11,939
Total - Special Education Preschool Grants				-	20,816	-	27,250
Total - Special Education Cluster (IDEA)				-	739,034	-	709,543
Title I Grants to Local Educational Agencies							
Title I 2016-2017	Indiana Department of Education	84.010	17-2120	-	67,088	-	-
Title I 2017-2018			18-2120	-	137,080	-	42,925
Title I 2018-2019			19-2120	-	-	-	142,604
Total - Title I Grants to Local Educational Agencies				-	204,168	-	185,529
Career and Technical Education -- Basic Grants to States							
Voc-Perkins Competitive 16-17	Indiana Department of Education	84.048	A587-17CI-4361	-	99,058	-	-
Voc Ed-Perkins 2016-2017			V048A160014	-	20,390	-	-
Rural Perkins Grant 16-17			A587-17CI-3989	-	32,070	-	-

GREATER JASPER CONSOLIDATED 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
Perkins Grant 2017-2018			V048A170014	-	127,806	-	7,025
Voc High Percentage 2018-19			V048A170014	-	-	-	7,361
Voc-Competitive/Perkins Grant			A588-18CI-5067	-	-	-	100,000
Perkins 2018-19			V048A180014	-	-	-	155,466
<b>Total - Career &amp; Technical -- Basic Grants to States</b>				-	<b>279,324</b>	-	<b>269,852</b>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2015-2016			01116-016-PN01	-	5,294	-	-
Title III ENL-2016-2017			01117-015-PN01	-	5,579	-	-
Title III 2017-2018			01118-014-PN01	-	22,635	-	8,660
Title III Eng Lang. 2018-19			01119-017-PN01	-	-	-	19,844
<b>Total - English Language Acquisition State Grants</b>				-	<b>33,508</b>	-	<b>28,504</b>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II 2015-2016			S367A150015	-	987	-	-
Title II 2016-2017			S367A160013	-	29,648	-	1,886
Title II 2017-2018			S367A170013	-	50,222	-	2,119
Title II 2018-2019			S367A180013	-	-	-	46,322
<b>Total - Supporting Effective Instruction State Grants</b>				-	<b>80,857</b>	-	<b>50,327</b>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV 2017-2018 Student Support			S424A170015	-	31,129	-	51,284
Title IV 2018-2019 Student Support			S424A180015	-	-	-	18,261
<b>Total - Student Support and Academic Enrichment Program</b>				-	<b>31,129</b>	-	<b>69,545</b>
<b>Total - Department of Education</b>				-	<b>1,368,020</b>	-	<b>1,313,300</b>
<b>Department of Health and Human Services</b>							
Medicaid Cluster	Indiana Department of Education	93.778					
Medical Assistance Program							
Medicaid Reimbursement - Federal			FY 2016/2017	-	50,723	-	-
Medicaid Reimbursement - Federal			FY 2018/2019	-	-	-	56,814
<b>Total - Medical Assistance Program</b>				-	<b>50,723</b>	-	<b>56,814</b>
<b>Total - Medicaid Cluster</b>				-	<b>50,723</b>	-	<b>56,814</b>
<b>Total - Department of Health and Human Services</b>				-	<b>50,723</b>	-	<b>56,814</b>
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 2,246,337</b>	<b>\$ -</b>	<b>\$ 2,208,063</b>

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

GREATER JASPER CONSOLIDATED 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. Exceptional Children's Cooperative**

The School Corporation is a member of the Exceptional Children's Cooperative (Cooperative). The Cooperative operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation.

GREATER JASPER CONSOLIDATED 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?	no

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	Qualified
Special Education Cluster (IDEA)	Qualified

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

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

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established an effective internal control system that separated incompatible activities related to receipts and payroll disbursements.

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Receipts*

There was no evidence of internal controls to ensure that the School Lunch fund receipts and Curricular Materials Rental fund receipts recorded in the extracurricular accounts ledger were accurate. Receipts were recorded from the bank deposit slips with no supporting documentation. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner.

*Payroll Disbursements*

The Payroll Deputy/Deputy Treasurer entered the employee pay rates and contract amounts into the payroll system, calculated non-certified payroll, tracked sick/personal time, processed payroll prior to submitting for direct deposit, and calculated and remitted payroll taxes. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner or to prevent the assessment of penalties, interest, and other charges.

The lack of internal controls existed throughout the audit period.

*Criteria*

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

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

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

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

*Cause*

Management of the School Corporation had not established a proper system of internal controls related to financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls could have enabled misstatements or irregularities to occur and remain undetected.

*Views of Responsible Officials*

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

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2019-002**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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): FY2018, FY2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-003.

*Condition and Context*

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation entered into a covered transaction with a food and supply vendor. The total purchases in fiscal year 2017-2018 for food and supplies from the vendor exceeded \$150,000, an amount over the Simplified Acquisition Threshold (greater than \$150,000), for which the Federal Procurement policy required the School Corporation to advertise for bids or Request For Proposals (RFP) prior to purchase. Food and supply purchases were not procured in accordance with the federal policies and procedures.

The School Corporation entered into a covered transaction with an equipment vendor. The total purchases in 2018-2019 for equipment from the vendor exceeded \$50,000, an amount over the Indiana Code requirement (between \$50,000 and \$150,000), which requires that three quotes be obtained and a contract be awarded. Three quotes were obtained; however, no contract with this vendor was awarded. Equipment purchases were not procured in accordance with the state statutes.

The School Corporation did not verify that the one vendor during 2017-2018 and two vendors during 2018-2019 with whom the School Corporation entered into covered transactions were not suspended or debarred.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

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

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publically advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management of the School Corporation 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 noncompliance to go undetected. Noncompliance with the grant agreement and the 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.

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2019-003***

Subject: Child Nutrition Cluster - Program Income  
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): FY2018, FY2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Modified Opinion

*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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. An oversight, review, or approval process had not been established.

Throughout the audit period, the School Corporation accounted for the money paid in advance by students for meals in a prepaid food account within each school's cafeteria fund. The School Corporation attempted to identify the balance of the prepaid funds for each student and to reconcile these balances to the balance of funds held in the prepaid food accounts for each school; however, the balances did not reconcile.

When prepaid funds were received from students during the school year, the payments were receipted into the prepaid accounts within each school's cafeteria fund. However, when meals were purchased, the amount that should have been transferred from the prepaid account to the paid meal accounts was incorrectly posted as a negative receipt from the prepaid accounts. Due to the method of record-keeping, compliance with the Program Income compliance requirement could not be determined for either school year.

*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). . . ."

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency, . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit.

*Effect*

The failure to establish effective internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that prepaid receipts and program income receipts will be segregated and available for audit related to the grant agreement and the Program Income 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 2019-004**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Numbers: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-009-PN01, 14217-009-PN01,  
18611-009-PN01

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort - maintenance of effort (MOE) requirements of the Matching, Level of Effort, Earmarking compliance requirement.

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The compliance standard calculation for fiscal year 2017-2018 was submitted on the FY 2019 Part B 611 Application, Part 2. The actual final expenditures entered into the calculation were based on calculated amounts which included inconsistent expenditure accounts. Amounts and expenditure accounts entered into the calculation were not derived from the records from which the audited financial statement was prepared.

Since amounts entered into the calculation were not based on actual expenditures, testing for compliance with the MOE requirements for 2017-2018, could not be performed.

*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). . . ."

34 CFR 300.203(b) states:

*"Compliance standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
  - i. Local funds only;
  - ii. The combination of State and local funds;
  - iii. Local funds only on a per capita basis; or
  - iv. The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

GREATER JASPER CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that accurate, consistent amounts were used to calculate the MOE.

*Effect*

The failure to establish effective internal controls that would have ensured that accurate, consistent amounts were used to calculate the MOE prevented the determination of the School Corporation's compliance with the level of effort - maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the level of effort - maintenance of efforts requirements of the Matching, Level of Effort, Earmarking 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.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: FY2016  
Contact Person Responsible for Corrective Action: #1 Katie Knies #2 April Hopf  
Contact Phone Number: 812-482-1801

#### Status of Audit Finding:

#1 – School Cafeteria Managers have begun to submit their Daily Reconciliation Report with their bank deposit slips. The Daily Reconciliation Report displays cash received and checks received and must match the bank deposit slip. This was corrected starting the 2019/2020 school year.

#2 – Self-Insurance internal controls corrective action plan was corrected starting June 2018.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: FY2015

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

Contact Person Responsible for Corrective Action: Sara Harpenau

Contact Phone Number: 812-482-6661

#### Status of Audit Finding:

The Exceptional Children's Co-op is using SAM and LEIE websites to search the names of the contracted individuals or businesses to make sure they are not presented debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency, or by any department, agency or political subdivision of the State of Indiana.

Corrective action plan has been completed.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: FY2014

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

Contact Person Responsible for Corrective Action: Katie Knies

Contact Phone Number: 812-482-1801

#### Status of Audit Finding:

The School Corporation is complying with the Procurement and Suspension and Debarment compliance requirement. The School Corporation is requesting a vendor's DUNS number and verifying their status in the SAMs website.

Corrective action plan has been completed in FY2019.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: FY2016

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

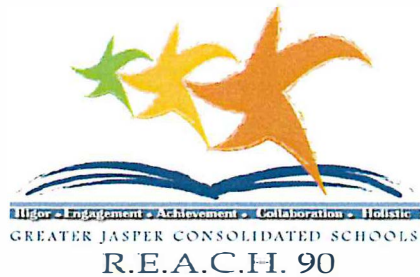
Contact Person Responsible for Corrective Action: Katie Knies

Contact Phone Number: 812-482-1801

#### Status of Audit Finding:

In July of 2018, the School Corporation began using a new and updated cafeteria management program. This new program provides more accurate information for reporting. At the end of each month, a report showing positive and negative balances is printed along with a Sales Activity Report.

Corrective action plan is still being implemented with fund 8400 to be established in July of 2020. With the establishment of the 8400 fund, transfers to cafeteria funds for meals served will be properly posted.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-005***

Fiscal year in which the finding initially occurred: FY2014

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

Contact Person Responsible for Corrective Action: Katie Knies

Contact Phone Number: 812-482-1801

#### Status of Audit Finding:

The Food Service Director completes the Annual Financial Report and the School Food Authority (SFA) Verification Collection Report and the Administrative Secretary reviews the reports for accuracy. Both the Food Service Director and the Administrative Secretary sign and date these reports.

Corrective action plan has been completed.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: FY2016

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

Contact Person Responsible for Corrective Action: Katie Knies

Contact Phone Number: 812-482-1801

#### Status of Audit Finding:

In July of 2018, the School Corporation began using a new and updated cafeteria management program. Reports needed to support the School Food Authority (SFA) Verification Collection Report are generated by this program and filed with the report.

Corrective action plan has been completed.



## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Jackie Howard Payroll, Katie Knies Food Service Director, April Hopf Curricular Material  
Contact Phone Number: 812-482-1801

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

##### Receipts for School Lunch and Curricular Material—

School Cafeteria Managers have started to submit their Daily Reconciliation Report with their bank deposit slips. The Daily Reconciliation Report displays cash received and checks received and must match the bank deposit slip. This has been corrected starting with the 2019-2020 school year.

##### Payroll—

Payroll/Deputy Treasurer will enter pay rates from the Board approved Salary schedule. She will run the Payroll Rates and Contract Amount Report in the payroll system and verify that the rates entered agree to the approved salary schedule. Also, she will verify on the first payroll check after the approved rates have been entered that the rates are correct. Dr. Lorey will sign off with approval.

##### Sick/Personal Leave—

The non-certified sick/personal leave is entered by the school secretaries in the K-time (time clock system). The data is sent back to the secretaries once completed to verify the information put in. If the secretary at the school doesn't agree to the report they contact payroll. Leave Forms are also signed by staff and payroll can verify the data with the leave forms. When processing payroll an attendance report will be run to verify the days employees used and print the substitute report to verify subs have been paid correctly for staff absent and from the proper account. The principals sign off with approval for K-Time and leave requests. Dr. Lorey signs the leave request forms.

##### Final processing prior to submitting payroll for direct deposit—

Payroll will print the exceptions report and review. After calculating payroll print and review the trail journal. Verify trial journal's ending balance agrees to the other payroll reports prior to submitting the direct deposit. Check to make sure gross pay agrees to distribution report. Review distribution report to verify that employees are paid from correct accounts. Run the benefit report to make sure it matches the total on benefits on trial journal. Print direct deposit preview report to verify it matches to net pay on trial journal. Dr. Lorey will sign off with approval.

##### Calculation and timely remittance of payroll taxes—

Payroll should check that totals for payroll taxes should agree to the check register. To make sure timely remittance is done she should submit payroll taxes electronically as soon as the check register has been printed and reviewed. All other claims that have to be processed for end of month balancing should be completed by month end. Dr. Lorey will sign off with approval.

Anticipated Completion Date:

Receipts for School Lunch and Curricular Materials started with the 2019-2020 school year.

Payroll --Immediately



## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Katie Knies  
Contact Phone Number: 812-481-4887

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation began to advertise for bids or Request for Proposals prior to purchase with vendors when the amount exceeds \$150,000 in FY2019. In addition to already collecting three quotes, the School Corporation will begin to award contracts when purchases are between \$50,000 and \$150,000. The School Corporation will begin to verify and document that vendors are not suspended or debarred prior to making transactions.

Anticipated Completion Date: FY2020

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## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Katie Knies  
Contact Phone Number: 812-481-4887

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation will establish a School Lunch Prepaid fund account in the accounting system rather than a School Lunch Prepaid receipt account. Prepaid transfers will be a fund transfer instead of a negative receipt.

Anticipated Completion Daye: FY2020

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## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Jackie Howard, Payroll  
Contact Phone Number: 812-482-1801

Views of Responsible Official: We Concur with the Finding

Description of Corrective Action Plan: Actual expenses will be given by the payroll department for the Maintenance of Effort report instead of an excel spreadsheet that calculated payroll amounts instead of actual costs.

Anticipated Completion Date: Immediately

## 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/>.