

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

EVANSVILLE VANDERBURGH SCHOOL CORPORATION

VANDERBURGH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/10/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carl D. Underwood	01-01-17 to 12-31-20
Superintendent of Schools	David B. Smith	07-01-17 to 06-30-20
President of the School Board	Andrew C. Guarino Rance Ossenberg Karen Ragland Jeff Worthington	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE EVANSVILLE VANDERBURGH SCHOOL
CORPORATION, VANDERBURGH 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 Evansville Vanderburgh School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 9, 2019, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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*.

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

December 9, 2019, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is February 11, 2020



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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 EVANSVILLE VANDERBURGH SCHOOL CORPORATION, VANDERBURGH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Evansville Vanderburgh School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Basis for Qualified Opinion on Child Nutrition Cluster and Special Education Cluster (IDEA)

As described in items 2019-001 and 2019-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income that are applicable to its Child Nutrition Cluster, and Allowable Costs/Cost Principles that is applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to the programs.

Qualified Opinion on Child Nutrition Cluster and Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster and 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 *Child Nutrition Cluster and Special Education Cluster (IDEA)* 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 items 2019-003 and 2019-004. 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 2019-001, 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 December 9, 2019, 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 11, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 17/18	\$ -	\$ 1,707,815	\$ -	\$ -
School Breakfast Program			FY 18/19	-	-	-	1,759,911
Total - School Breakfast Program				-	1,707,815	-	1,759,911
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 17/18	-	6,250,936	-	-
National School Lunch Program - Commodities			FY 17/18	-	908,685	-	-
National School Lunch Program			FY 18/19	-	-	-	6,436,064
National School Lunch Program - Commodities			FY 18/19	-	-	-	882,616
Total - National School Lunch Program				-	7,159,621	-	7,318,680
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY 16/17	-	115,874	-	-
Summer Food Service Program for Children			FY 17/18	-	25,413	-	108,709
Summer Food Service Program for Children			FY 18/19	-	-	-	24,878
Total - Summer Food Service Program for Children				-	141,287	-	133,587
Total - Child Nutrition Cluster				-	9,008,723	-	9,212,178
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			FY 16/17	-	6,520	-	-
Child and Adult Care Food Program			FY 17/18	-	70,649	-	6,812
Child and Adult Care Food Program			FY 18/19	-	-	-	65,418
Total - Child and Adult Care Food Program				-	77,169	-	72,230
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
Child Nutrition Discretionary Grants Limited Availability			FY 18/19	-	-	-	9,996
Total - Department of Agriculture				-	9,085,892	-	9,294,404
<u>Department of Education</u>							
School Improvement Grants	Indiana Department of Education	84.377					
1003g - Lincoln			FY 16/17	-	153,922	-	-
1003g- Washington			FY 16/17	-	168,198	-	-
1003g- Cedar Hall			FY 16/17	-	82,156	-	-
1003g- Lincoln			FY 17/18	-	206,026	-	93,369
1003g - Washington			FY 17/18	-	201,577	-	94,342
1003g- Cedar Hall			FY 17/18	-	185,980	-	70,761
1003g - Lincoln			FY 18/19	-	-	-	188,773
1003g- Washington			FY 18/19	-	-	-	112,228
1003g- Cedar Hall			FY 18/19	-	-	-	149,594
Total - School Improvement Grants				-	997,859	-	709,067

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Part B FY 2016			14216-015-PN01	-	157,347	-	-
Part B FY 2017			14217-015-PN01	-	1,875,506	-	209,862
Part B FY 2018			18611-015-PN01	-	4,272,922	-	1,913,350
Part B FY 2019			19611-015-PN01	-	-	-	4,338,719
Total - Special Education Grants to States				-	6,305,775	-	6,461,931
Special Education Preschool Grants	Indiana Department of Education	84.173					
Preschool FY 2016			45716-015-PN01	-	10,792	-	-
Preschool FY 2017			45717-015-PN01	-	78,461	-	45,393
Preschool FY 2018			18619-015-PN01	-	196,656	-	98,273
Preschool FY 2019			19619-015-PN01	-	-	-	176,643
Total - Special Education Preschool Grants				-	285,909	-	320,309
Total - Special Education Cluster (IDEA)				-	6,591,684	-	6,782,240
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic			17-7995	-	2,014,103	-	-
1003a- School Improvement			17-7995	-	687,690	-	-
Title I Basic			18-7995	-	4,949,611	-	2,758,902
1003a- School Improvement			18-7995	-	705,209	-	465,516
Title I Basic			19-7995	-	-	-	5,662,334
1003a- School Improvement			19-7995	-	-	-	930,424
Total - Title I Grants to Local Educational Agencies				-	8,356,613	-	9,817,176
Career and Technical Education--Basic Grants to States	Indiana Department of Education	84.048					
Perkins FY16/17			17-4700-7995	-	114,659	-	-
Perkins FY 17/18			18-4700-7995	-	431,701	-	152,433
Perkins FY18/19			19-4700-7995	-	-	-	540,324
Total - Career and Technical Education--Basic Grants to States				-	546,360	-	692,757
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney-Vento FY 16/17			A58-7-17SS-3921	-	29,421	-	-
McKinney-Vento FY 17/18			A58-7-17SS-3921	-	41,382	-	18,618
McKinney-Vento FY 18/19			A58-7-17SS-3921	-	-	-	46,197
Total - Education for Homeless Children and Youth				-	70,803	-	64,815
Innovative Approaches to Literacy, Full-Service Community Schools; and Promise Neighborhoods	Direct Grant	84.215					
PEP FY 16/17			S215F140086-15	-	42,751	-	-
PEP FY 17/18			S215F140086-15	-	95,093	-	-
Total - Innovative Approaches to Literacy, Full-Service Community Schools; and Promise Neighborhoods				-	137,844	-	-

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
Cohort 6 Year 4 FY 16/17			A58-7-17DL-0006	-	31,523	-	-
Cohort 7 Year 3 FY 16/17			A58-7-17DL-0045	-	53,657	-	-
Cohort 7 Year 4 FY 17/18			A58-7-17DL-0045	-	440,081	-	13,802
Cohort 8 Year 1 FY 17/18			A58-8-18DL-4604	-	343,129	-	13,112
Cohort 8 Year 2 FY 18/19			A58-8-18DL-4604	-	-	-	312,196
Total - Twenty-First Century Community Learning Centers				-	868,390	-	339,110
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III FY 16/17			01117-089-PN01	-	50,896	-	-
Title III FY 17/18			01118-088-PN01	-	57,841	-	-
Title III FY 17/19			01118-088-PN01	-	-	-	36,716
Title III FY 18/20			01119-087-PN01	-	-	-	60,914
Total - English Language Acquisition State Grants				-	108,737	-	97,630
Mathematics and Science Partnerships	Indiana Department of Education	84.366					
MSP Yr 2			A58-6-16CI-3742	-	122,478	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A150015	-	454,706	-	-
Title II Part A			S367A160013	-	680,276	-	415,777
Title II Part A			S367A170013	-	-	-	664,311
Total - Supporting Effective Instruction State Grants				-	1,134,982	-	1,080,088
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A170015	-	33,250	-	37,063
Title IV Part A			S424A180015	-	-	-	101,165
Total - Student Support and Academic Enrichment Program				-	33,250	-	138,228
Total - Department of Education				-	18,969,000	-	19,721,111
Total federal awards expended				\$ -	\$ 28,054,892	\$ -	\$ 29,015,515

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

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.287	Twenty-First Century Community Learning Centers	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,712,112

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

No matters are reportable.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Contained)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17/18, FY 18/19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, 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 2017-002.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements. Effective controls were not in place to ensure that only allowable employees were paid from program funds.

The School Corporation paid a portion of the salaries for administrative and mail delivery personnel from the School Lunch fund without documentation to support the percentage paid.

Throughout fiscal year 2017-2018 and 2018-2019, payroll disbursements for administrative and mail delivery employees were allocated to the Child Nutrition Cluster based on estimations of the employees' time spent working on the Child Nutrition programs. There were no records maintained to support the estimated percentage of time paid from the federal programs for any of the employees. The unsupported wages paid to the employees was \$387,842 and \$430,852 for 2017-2018 and 2018-2019, respectively.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over 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). . . ."

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.307(e)(2) states in part: "*Addition.* With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Effect

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

Questioned Costs

The total amount of unsupported salaries of administrative and mail delivery personnel paid from the programs during the audit period was \$818,694. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Views of Responsible Officials

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

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-002

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-015-PN01, 18611-015-PN01,
19611-015-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
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 Allowable Costs/Cost Principles compliance requirement.

A portion of the salaries for administrative personnel was paid from Special Education funds during fiscal year 2017-2018 and 2018-2019 without proper documentation to support the percentage paid. Time reporting records were maintained from August to May each year; however, the amount of time documented as spent on Special Education did not support the amount paid. No time reporting records were maintained during June and July of either year. In addition, none of the time and effort logs were dated in order to determine if they were completed based on actual activity performed, two were not signed by the employee, and one was not presented for audit.

Of the 138 employees tested, 58 did not have adequate time reporting records to support the percentage paid from the Special Education funds. During 2017-2018 and 2018-2019, these employees were paid a total amount of \$477,462 and \$494,680, respectively, from Special Education funds.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material 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

The total amount of unsupported salaries of administrative personnel paid from the program during the audit period was \$972,142. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirements.

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 - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 17-7995, 18-7995, 19-7995
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
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 Allowable Costs/Cost Principles compliance requirement. Effective controls were not in place to ensure that only applicable salaries were paid from program funds.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation paid a portion of salaries to employees without documentation to support the percentage paid from Title I funds. Time reporting records were maintained throughout the audit period; however, the amount of time documented as spent on Title I did not support the amount paid.

Payroll disbursements of five employees tested were allocated to the Title I program based on estimations of the employee's time working on Title I. There were time reporting records, but no records to support the estimated percentage of time paid from the federal program. The unsupported wages paid to these employees were \$126,714 and \$139,886 in fiscal year 2017-2018 and 2018-2019, respectively.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

The total amount of unsupported salaries paid from the program during the audit period was \$266,600. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Allowable Costs/Cost Principles 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: Twenty-First Century Community Learning Centers - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): A58-7-17DL-0006,
A58-7-17DL-0045,
A58-8-18DL-4604

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

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 Allowable Costs/Cost Principles compliance requirement. Effective controls were not in place to ensure that only allowable salaries were paid from program funds.

The School Corporation paid a portion of salaries to employees without documentation to support the percentage paid from the Twenty-First Century Community Learning Center program.

Payroll disbursements to a Community Outreach Coordinator were allocated to the Twenty-First Century Community Learning Center based on estimations of the employee's time working on the Twenty-First Century Learning Center program. There were no records maintained to support the estimated percentage of time paid from the federal program. The amount of unsupported wages paid to the employee was \$23,317.

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

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material 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

The total amount of unsupported salaries paid from the program during the audit period was \$23,317. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

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

FEDERAL FINDING 2017-001

Fiscal year in which the finding initially occurred: 2011-2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Status of Audit Finding:

Evansville Vanderburgh School Corporation implemented a new internal control practice in the school year 2017-2018 in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper records all receipts and disbursements in a spreadsheet that is reconciled to the Form 9. This information will be used to prepare the Schedule of Federal Awards. This report will be reconciled by the Director of Budget for accuracy.

FEDERAL FINDING 2017-002

Fiscal year in which the finding initially occurred: 2015-2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Status of Audit Finding:

Evansville Vanderburgh School Corporation is in the process of implementing a new internal control practice in response to the State Board of Accounts finding referenced above. Payroll time sheets are in the process of reflecting the time worked in the cafeteria for food service. The amount of time worked is then charged to the food service program.

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2013-2015

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

Contact Person Responsible for Corrective Action: Courtney Bohleber

Contact Phone Number: 812-435-8409

Status of Audit Finding:

Evansville Vanderburgh School Corporation has implemented a new internal control practice in the school year 2017-2018 in response to the State Board of Accounts finding referenced above. The Food and Nutrition Department requires contracts that include Suspension and Debarment compliance. A signed document is then sent to Chief of Staff to place with the approved contract.

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2015-2017

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

Contact Person Responsible for Corrective Action: Courtney Bohleber

Contact Phone Number: 812-435-8409

Status of Audit Finding:

Evansville Vanderburgh School Corporation has implemented a new internal control practice in the school year 2017-2018 in response to the State Board of Accounts finding referenced above. Protocols have been established in writing and shared with the necessary schools and personnel to follow. The new protocols are as follows:

*Never withdraw a student without a Records Request. Keep a folder for current year entries/withdraws. At the end of school year sort all entry/withdraw forms by cohort year. The cohort year is in the top left corner of a students printed schedule. Use a Binder for each Cohort year. It is helpful as a reference to have a running Google document of all students coming and going throughout the school year. Students transferring between EVSC schools do not require a Records Request. Keep Cohort binders for 6 years.

Documentation Requirements

Students withdraw outside EVSC

- Records Request from receiving school
- Current phone numbers for student/parent
- Name of school and town where moving to
- Keep Records Request and schedule for the Cohort Binder
- Keep any email or paperwork pertaining to entry/withdraw

Students withdraw to Homeschool

- Exit interview with Assistant Principal/Principal
- Homeschool form filled out and signed by parent/student
- Email form to Deborah.hempfling@evsck12.com She will email the Homeschool number back
- Keep form and schedule together for Cohort Binder
- Keep any email or paperwork pertaining to entry/withdraw

Google Document

- Student name
- Student ID number
- Grade
- Entry/Withdraw date
- School name and location

FINDING 2017-0005

Fiscal year in which the finding initially occurred: 2015-2017

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

Contact Person Responsible for Corrective Action: Courtney Bohleber

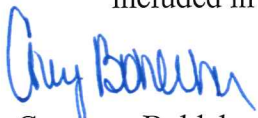
Contact Phone Number: 812-435-8409

Status of Audit Finding:

Evansville Vanderburgh School Corporation has implemented a new internal control practice in the school year 2017-2018 in response to the State Board of Accounts finding referenced above. Protocols have been established in writing and shared with the necessary school personnel within EVSC. The new protocols are as follows:

Guidelines:

- In the time period after the RFP is released, but before the application is submitted, EVSC will contact all of the private schools within a 5 mile radius of each of the intended 21st Century Community Learning Centers, as listed in the application.
- EVSC will host an open meeting and invite representatives from each of these schools to discuss the opportunities for eligible private school children and families.
- Each school will sign off that a consultation has occurred, these documents will then be included in the grant application.



Courtney Bohleber
Director of Budget
Evansville Vanderburgh School Corporation

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement recordkeeping to track the amount of time worked in Food Service.

Anticipated Completion Date: June 30, 2020

FINDING 2019-002

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement recordkeeping to track the amount of time spent on Special Education. Time logs will also be dated and signed by the employee.

Anticipated Completion Date: June 30, 2020

FINDING 2019-003

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement recordkeeping to track the amount of time spent on Title I.

Anticipated Completion Date: June 30, 2020

FINDING 2019-004

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement recordkeeping to track the amount of time worked on Twenty-First Century activities.

Anticipated Completion Date: June 30, 2020

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.