

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MADISON-GRANT UNITED SCHOOL CORPORATION

GRANT 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	Tarina Morris (Vacant) Shaela Smith	07-01-17 to 03-01-19 03-02-19 to 04-07-19 04-08-19 to 06-30-20
Superintendent of Schools	Dr. Scott Deetz	07-01-17 to 06-30-20
President of the School Board	Aaron Caudell Mary Jo Brunt	01-01-17 to 12-31-18 01-01-19 to 12-31-20



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

TO: THE OFFICIALS OF THE MADISON-GRANT UNITED SCHOOL
CORPORATION, GRANT 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 Madison-Grant United 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 January 22, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


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

Madison-Grant United School Corporation's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

January 22, 2020, except for the Schedule of Expenditures
of Federal Awards, for which the date is February 24, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 MADISON-GRANT UNITED SCHOOL CORPORATION, GRANT COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Madison-Grant United 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 its major federal program for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2017 to June 30, 2019.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 and 2019-005. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003, 2019-004, and 2019-005, that we consider to be material weaknesses.


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.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 22, 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 24, 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.

MADISON-GRANT UNITED 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	FY 2017-2018	\$ -	\$ 67,230	\$ -	\$ -
			FY 2018-2019	-	-	-	63,978
Total - School Breakfast Program				-	-	-	63,978
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2017-2018	-	287,414	-	-
Commodities			FY 2017-2018	-	46,878	-	-
School Lunch Program			FY 2018-2019	-	-	-	257,788
Commodities			FY 2018-2019	-	-	-	47,728
Total - National School Lunch Program				-	334,292	-	305,516
Summer Food Service Program for Children	Indiana Department of Education	10.559					
			FY 2017-2018	-	5,166	-	-
			FY 2018-2019	-	-	-	4,872
Total - Summer Food Service Program for Children				-	5,166	-	4,872
Total - Child Nutrition Cluster				-	406,688	-	374,366
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
2017 National School Lunch Equipment Grant			FY 2017-2018	-	7,300	-	-
			FY 2018-2019	-	-	-	29,559
Total - Child Nutrition Discretionary Grants Limited Availability				-	7,300	-	29,559
Total - Department of Agriculture				-	413,988	-	403,925
<u>Department of Education</u>							
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education Grants to States							
Special Education Part B			14216-019-PN01	-	24,564	-	-
Special Education Part B			14217-019-PN01	-	94,097	-	-
Special Education Part B			18611-019-PN01	-	160,482	-	108,997
Special Education Part B			19611-019-PN01	-	-	-	112,090
Total - Special Education Grants to States				-	279,143	-	221,087

MADISON-GRANT UNITED SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool			45716-019-PN01	-	149	-	-
Special Education Preschool			45717-019-PN01	-	8,408	-	-
Special Education Preschool			18619-019-PN01	-	2,619	-	5,745
Special Education Preschool			19619-019-PN01	-	-	-	6,308
Total - Special Education Preschool Grants				-	11,176	-	12,053
Total - Special Education Cluster (IDEA)				-	290,319	-	233,140
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I, Part A, Basic Grant FY2017			S010A150014	-	51,042	-	-
Title I, Part A, Basic Grant FY2017			S010A70014	-	128,570	-	100,374
Title I, Part A, Basic Grant FY2017			S010A70014	-	-	-	131,349
Total - Title I Grants to Local Educational Agencies				-	179,612	-	231,723
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			S367A150013	-	15,334	-	-
			S367A160013	-	46,190	-	10,076
			S367A170013	-	-	-	35,483
			S367A180013	-	-	-	3,588
Total - Supporting Effective Instruction State Grants				-	61,524	-	49,147
Total - Department of Education				-	531,455	-	514,010
Total federal awards expended				\$ -	\$ 945,443	\$ -	\$ 917,935

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

MADISON-GRANT UNITED 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.

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Cash and Investments, Financial Account Balances, and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to cash and investments, financial account balances, and financial reporting of the Solar Panel Construction project.

Cash and Investments

The School Corporation did not include the construction activity in its financial records or reconcile the activity of the construction funds held at First Merchants Private Wealth Advisors (Bank) in the name of the School Corporation for the Solar Panel Construction project.

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Account Balances and Reporting

The internal control in place over the review of the Form 9 was not effective in preventing, or detecting and correcting, errors. The construction project financial activity within the Construction - Solar Panel Project fund was not reported in the School Corporation's Form 9, which is used to compile the School Corporation's financial statement. This resulted in the financial statement being materially understated for receipts, disbursements, and beginning and ending cash balances during the audit period.

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

The lack of controls was a systemic issue 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

Cause

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

Effect

The failure to establish a proper system of internal controls enabled material misstatements to remain undetected.

Views of Responsible Officials

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

FINDING 2019-002

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

Repeat Finding

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

Condition and Context

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

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

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$216,651 and by \$162,939 for the periods ending June 30, 2018 and 2019, respectively.
2. The Child Nutrition Discretionary Grants Limited Availability grant was omitted, resulting in understatements of \$7,300 and \$29,559 for the periods ending June 30, 2018 and 2019, respectively.
3. The Special Education Cluster (IDEA) expenditures were understated by \$6,184 for the period ending June 30, 2019.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$100,374 for the period ending June 30, 2019.
5. The Supporting Effective Instruction State Grants expenditures were overstated by \$10,076 for the period ending June 30, 2019.
6. The SEFA included three grants in error, resulting in an overstatement of \$25,380 for the period ending June 30, 2019.
7. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-003

Subject: Child Nutrition Cluster - Cash Management, 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 2017-2018, FY 2018-2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Program Income
Audit Finding: Material Weakness

Repeat Finding

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

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Program Income compliance requirements.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with the cash management requirements. There was no documentable oversight, review, or monitoring of the School Lunch fund cash balances until January 2019.

Program Income

The School Corporation had not designed or implemented adequate internal controls to ensure that the food service collections were properly summarized and recorded in the School Lunch fund. There was no verification of the supporting documentation from the food service department to the program income recorded by the School Corporation until January 2019.

The lack of controls were systemic issues throughout most of the audit period. The controls were implemented in January 2019.

MADISON-GRANT UNITED 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). . . ."

Cause

Management of the School Corporation had not developed a system of internal controls to ensure compliance with the Cash Management and Program Income compliance requirements.

Effect

The failure to establish an effective internal control system, which included segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management and Program Income compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management continue, as implemented in January 2019, the system of internal controls to ensure compliance with the grant agreement and the Cash Management 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.

FINDING 2019-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

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 2017-2018, FY 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

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

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The Food Service Director's salary is split between two school corporations - Eastbrook School Corporation and the School Corporation. The Eastbrook School Corporation invoices the School Corporation for 50 percent of the Food Service Director's salary, but the invoice for fiscal year 2017-2018 did not detail the time worked related to the School Corporation. There was no written contract or agreement between Eastbrook School Corporation and the School Corporation to substantiate this agreement for 2017-2018. A Contract and Joint Agreement between Eastbrook School Corporation and the School Corporation was entered into on February 25, 2019, for 2018-2019.

The lack of controls and noncompliance were systemic issues, which occurred 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: . . .

(g) Be adequately documented. . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

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. . . ."

Cause

Management 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 placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and 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 2019-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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, and 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017-2018, FY 2018-2019
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 report. The prior audit finding number was 2017-005.

Condition and Context

An effective internal control system, which included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The Food Service Director's salary is split between two school corporations - Eastbrook School Corporation and the School Corporation. Eastbrook School Corporation invoices the School Corporation for 50 percent of the Food Service Director's salary. There was no written contract or agreement between Eastbrook School Corporation and the School Corporation for fiscal year 2017-2018 to substantiate this agreement. A Contract and Joint Agreement between Eastbrook School Corporation and the School Corporation was entered into on February 25, 2019, for 2018-2019.

The amount invoiced to the School Corporation for the Food Service Director's salary for the audit period was \$66,366.

The School Corporation did not perform the required procurement and suspension and debarment procedures. The School Corporation was unable to provide documentation that any procurement processes were performed at the local level. Additionally, the School Corporation did not perform any of the required procedures to ensure that vendors were not suspended or debarred from participation in federal awards.

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

MADISON-GRANT UNITED 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 200.320 states in part:

Methods of procurement to be followed.

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

(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. . . ."

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 SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance 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.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



MADISON-GRANT UNITED SCHOOL CORPORATION

Scott Deetz, Ph. D., Superintendent

Steve Vore, Assistant Superintendent

Shaela Smith, Business Director

Superintendent's Secretary, Superintendent's Secretary

Teresa Riggs, Payroll Coordinator

Kristy Drewitz, Transportation Coordinator

Misty Skeens, Human Resources

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: FY 2013-2014

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

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Status of Audit Finding: This finding will be corrected with the 19-20 submission; I have created a spreadsheet similar to the SEFA report that will help maintain accuracy in reporting. This will eliminate the need to run unnecessary reports at the time the report is due and allow you to only have to input information from spreadsheet. Also, will have two people look at report before it is submitted.



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Superintendent's Secretary, Superintendent's Secretary

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Misty Skeens, Human Resources

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: FY 2015-2016

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

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Status of Audit Finding: This finding was corrected February 25, 2019 for the school year 2018-2019. We have provided our food service director with a contract; we also have a current 19-20 contract on file also. Our food service director now submits a monthly calendar to keep track of her time, since we are sharing her with another district.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: FY 2015-2016

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

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Status of Audit Finding: This finding was corrected February 2019. Internal Controls were created to ensure compliance with Federal Grants and the Equipment and Real Property Management compliance requirement.



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Misty Skeens, Human Resources

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: FY 2015-2016

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

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Status of Audit Finding: This finding was corrected in January and February 2019. School lunch fund monthly cash balance is now limited to three months average of expenditures. Reports are run every month, the business manager and food service director will meet when there are concerns that need to be addressed. The bank statement is balanced monthly and reimbursements are turned in monthly.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: FY 2015-2016

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

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Status of Audit Finding: This finding has not been corrected it will be corrected before 6/30/2020. We will start looking on the SAMS website. I created a SAMS account 2/19/2020. I have printed out all material.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Views of Responsible Official: We concur with the finding however this will no longer be an issue because the account has since been closed.

Description of Corrective Action Plan: Madison-Grant's corrective action plan for our Solar Project is to run all expenses and revenue through an in and out account called the Construction-Solar Project. I have created this fund and the fund number is 9112. Even though Madison-Grant does not hold these funds in their corporation account, the Business Director will account for bookkeeping of this fund and also include in our financial statements. To correct this issue moving forward I will show for the period of 7/1/19-12/31/19 that this account has been closed out and the money has been deposited in our Operations account. When we are audited two years from now our records will reflect that we have made the correct steps to make this account show up on our financial statements.

Anticipated Completion Date: 1/31/2020 is the expected completion; this is the last day to submit our Form 9 financial statement.

HOME OF THE ARGYLLS

Madison-Grant Administration Office

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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan: This finding will be corrected with the 19-20 submission; I have created a spreadsheet similar to the SEFA report that will help maintain accuracy in reporting. Prior to the submission of the SEFA report, the Business Manager will let another staff member check figures, and review for accuracy.

Anticipated Completion: This finding will be corrected with the 19-20 submission.

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CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Views of Responsible Official: We Concur with Finding

Description of Corrective Action Plan: Internal Controls were created to ensure compliance with the school lunch fund monthly cash balances. School lunch fund balance is now limited to three months of expenditures. The Business Director now checks the three month average expenditure to the fund report as part as the end of the month process.

Anticipated Completion: This finding was corrected February 2019.

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CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan: Cash Balances are reviewed and monitored monthly. The bank statement is signed off on by the Business Manager and Payroll/Deputy Treasurer. Monthly reports are given to Food Service Director from the Business Director. Reimbursements are turned in monthly. Food service director approves timesheets for all Food Service Managers.

Anticipated Completion: This finding was corrected January 2019.

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CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Shaela Smith

Contact Phone Number: 765-536-0008

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan: There are now up to date contracts on file, between Madison-Grant and Eastbrook. We will start looking on the SAMS website. I created a SAMS account 2/19/2020. I have printed out all material. Since our food service person is on contract and not an employee of Madison-Grant we will have to advertise each year for a food service director.

Anticipated Completion: February 28, 2020.

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OTHER REPORTS

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