

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MARION COMMUNITY SCHOOLS

GRANT COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

03/12/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Robert W. Schultz	07-01-17 to 06-30-20
Superintendent of Schools	Brad Lindsay	07-01-17 to 06-30-20
President of the School Board	Aaron Vermilion Cathy Moritz Robert T. Nicholson Charles Griffin	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 MARION COMMUNITY SCHOOLS, 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 Marion Community Schools (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 24, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

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*.

Marion Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 24, 2020



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 MARION COMMUNITY SCHOOLS, GRANT COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

Opinion on Each Major Federal Program

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

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-004 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a significant deficiency.

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.

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

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

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

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

MARION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Reimbursement			FY 2017/2018	\$ -	\$ 692,593	\$ -	\$ -
School Breakfast Reimbursement			FY 2018/2019	-	-	-	581,854
Total - School Breakfast Program				-	692,593	-	581,854
National School Lunch Program							
School Lunch Reimbursement	Indiana Department of Education	10.555					
After School Snack Reimbursement			FY 2017/2018	-	1,671,371	-	-
Commodities			FY 2017/2018	-	3,736	-	-
School Lunch Reimbursement			FY 2017/2018	-	155,979	-	-
After School Snack Reimbursement			FY 2018/2019	-	-	-	1,715,465
Commodities			FY 2018/2019	-	-	-	2,871
Total - National School Lunch Program				-	1,831,086	-	1,888,771
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2017/2018	-	35,601	-	-
			FY 2018/2019	-	-	-	35,155
Total - Summer Food Service Program for Children				-	35,601	-	35,155
Total - Child Nutrition Cluster				-	2,559,280	-	2,505,780
Fresh Fruit and Vegetable Program							
Fresh Fruits and Vegetables	Indiana Department of Education	10.582					
Fresh Fruits and Vegetables			FY 2017/2018	-	115,173	-	-
			FY 2018/2019	-	-	-	107,798
Total - Fresh Fruit and Vegetable Program				-	115,173	-	107,798
Total - Department of Agriculture				-	2,674,453	-	2,613,578
Department of Defense							
ROTC Language and Culture Training Grants							
ROTC Language and Culture Training Grants	Army ROTC	12.357					
			FY 2017-18	-	72,851	-	-
			FY 2018-2019	-	-	-	75,455
Total - ROTC Language and Culture Training Grants				-	72,851	-	75,455
Total - Department of Defense				-	72,851	-	75,455

MARION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Federal Communications Commission							
Universal Service Fund - Schools and Libraries	Direct	32.004					
Fund 3900			FY 2017-18	-	27,352	-	-
Fund 3900			FY 2018-19	-	-	-	10,148
Total - Universal Service Fund - Schools and Libraries				-	27,352	-	10,148
Total - Federal Communications Commission				-	27,352	-	10,148
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Part B Section 611 5250 IDEA 09/30/16	Indiana Department of Education	84.027	PN 14216-019-PN01	-	599	-	-
Part B Section 611 5254 IDEA Part B 06/17			PN 14217-019-PN01	-	357,688	-	-
Part B Section 611 5255 IDEA Part B 06/30/18			PN 18611-019-PN01	-	370,108	-	642,587
Part B Section 611 5253 IDEA Part B 09/30/20			PN 19611-019-PN01	-	-	-	541,700
Total - Special Education Grants to States				-	728,395	-	1,184,287
Special Education Preschool Grants							
Preschool 619 5400 IDEA Preschool 09/30/16	Indiana Department of Education	84.173	PN 45716-019-PN01	-	8,659	-	-
Preschool 619 5450 IDEA Preschool 09/17			PN 45717-019-PN01	-	22,168	-	5,935
Preschool 619 5410 IDEA Preschool 09/18			PN 18619-019-PN01	-	12,222	-	36,769
Preschool 619 5402 Special Needs Preschool 09/20			PN 19619-019-PN01	-	-	-	38,190
Total - Special Education Preschool Grants				-	43,049	-	80,894
Total - Special Education Cluster (IDEA)				-	771,444	-	1,265,181
Adult Education - Basic Grants to States							
Adult Basic Education 5550 06/17	Indiana Workforce Development	84.002	AE-MCS-2016-01	-	47,499	-	-
Adult Basic Education 5560 06/18			#05-8021	-	129,660	-	77,926
Adult Basic Education 5550 06/19			06/19	-	-	-	122,730
Total - Adult Education - Basic Grants to States				-	177,159	-	200,656
Title I Grants to Local Educational Agencies							
Title I Basic 4183	Indiana Department of Education	84.010	09/30/17	-	635,800	-	-
Title I Basic 4184			09/30/18	-	1,212,596	-	823,752
Title I Basic 4180			09/30/19	-	-	-	1,345,468
Title I 2016-17 SIG 4114			SIG 09/30/17	-	168,579	-	-
Title I 2017-18 1003 SIG 4104			S010A170014	-	-	-	146,596
Title I 2018-19 School Improvement McCulloch 4110 09/19			S010A180014	-	-	-	36,000
Total - Title I Grants to Local Educational Agencies				-	2,016,975	-	2,351,816

MARION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013					
Title I Delinquent 4124			09/17	-	35,099	-	-
Title I Delinquent 4120			2017-18	-	80,400	-	47,178
Title I Delinquent 4121			09/30/19	-	-	-	79,113
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	115,499	-	126,291
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Perkins 6260			2016	-	69,501	-	-
Perkins 6210			2017	-	99,617	-	49,599
Perkins 6200			2018	-	-	-	99,246
Total - Career and Technical Education - Basic Grants to States				-	169,118	-	148,845
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney Vento Homeless 5113 2016			S196A160015	-	22,672	-	-
McKinney Vento 5110 2017			S196A170015	-	12,233	-	19,767
McKinney Vento Homeless 5111 2018			S196A180015	-	-	-	16,698
Total - Education for Homeless Children and Youth				-	34,905	-	36,465
Rural Education	Indiana Department of Education	84.358					
Rural Schools & Low Income 6870 2017			7000S358B170014	-	-	-	47,136
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 6884 2015-17			S365A150014	-	2,809	-	-
Title III 6881 2016-18			S365A160014	-	15,034	-	2,193
Title III 6885 2017-19			S365A170014	-	5,296	-	13,885
Title III 6880 2018-20			S365A180014	-	-	-	11,290
Total - English Language Acquisition State Grants				-	23,139	-	27,368
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA 6843 2015-17			15-2865	-	45,566	-	-
Title IIA 6846 2016-18			S367A160013	-	209,712	-	1,733
Title IIA 6844 2017-19			S367A170013	-	37,771	-	119,300
Title IIA 6841 2018-20			S367A180013	-	-	-	1,055
Title IIA 100 1994			Mentoring	-	-	-	229
Total - Supporting Effective Instruction State Grants				-	293,049	-	122,317

MARION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
School Improvement Grants 1003g	Indiana Department of Education	84.377					
Title I SIG 1003g Allen 4101			2016-17	-	52,423	-	-
Title I SIG 1003g McCulloch 4102			2016-17	-	234,684	-	-
Title I SIG 1003g McCulloch 4103			2017-18	-	107,096	-	52,407
Total - School Improvement Grants				-	394,203	-	52,407
Student Support and Academic Enrichment Program Title IV Part A 2018	Indiana Department of Education	84.424	S424A180015	-	-	-	19,033
Total - Department of Education				-	3,995,491	-	4,397,515
<u>Department of Health and Human Services</u>							
Head Start	Direct grant	93.600					
HeadStart 6762 11/30/17			05CH010361-02	-	696,608	-	-
HeadStart 6763 Training & Technical Assistance 11/30/17			05CH010361-02	-	18,095	-	-
HeadStart 6770 11/30/18			05CH010361-03	-	464,329	-	623,038
HeadStart 6771 Training & Technical Assistance 11/30/18			05CH010361-03	-	7,743	-	11,636
Headstart 6780 11/30/19			05CH010361-04	-	-	-	295,141
Headstart 6781 Training & Technical Assistance 11/30/19			05CH010361-04	-	-	-	5,047
Total - Head Start				-	1,186,775	-	934,862
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
FY 2017/2018			2017	-	20,268	-	-
FY 2018/2019			2018	-	-	-	17,145
Total - Medical Assistance Program				-	20,268	-	17,145
Total - Medicaid Cluster				-	20,268	-	17,145
Total - Department of Health and Human Services				-	1,207,043	-	952,007
Total federal awards expended				\$ -	\$ 7,977,190	\$ -	\$ 8,048,703

MARION COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Special Education Cluster (IDEA)	Unmodified
93.600	Title I Grants to Local Educational Agencies	Unmodified
93.600	Head Start	Unmodified

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

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

FINDING 2019-001

Subject: Internal Controls over Payroll
Audit Finding: Significant Deficiency

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation over payroll disbursements.

Payroll disbursements were processed and completed without an oversight or review process to ensure payroll was properly calculated and charged to the appropriate fund. The Payroll Claim Listing report summarized by fund was reviewed and approved each pay period, but this report did not provide any detail for the employees who were paid from those funds.

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

Management had not developed and implemented a system of internal control that segregated key functions.

Effect

The failure to establish a system of internal control could have enabled material misstatements or irregularities 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.

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), and Head Start - Internal Controls

Federal Agencies: Department of Education, Department of Health and Human Services

Federal Programs: Title I Grants to Local Educational Agencies, Special Education Grants to States, Special Education Preschool Grants, and Head Start

CFDA Numbers: 84.010, 84.027, 84.173, 93.600

Federal Award Numbers and Years (or Other Identifying Numbers): 09/30/17, 09/30/18, 09/30/19, SIG 09/30/17, S010A170014, S010180014, PN 14216-019-PN01, PN 14217-019-PN01, PN 18611-019-PN01, PN 19611-019-PN01, PN 45716-019-PN01, PN 45717-019-PN01, PN 18619-019-PN01, PN 19619-019-PN01, 05CH010361-02, 05CH010361-03, 05CH010361-04

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Significant Deficiency

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 following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The School Corporation did not have adequate controls in place related to payroll disbursements. A proper system of oversight or review was not in place to ensure that only allowable activities and allowable costs were charged to the appropriate fund. Payroll was processed and completed without an oversight or review process to ensure payroll was properly calculated and charged to the appropriate fund. The Payroll Claim Listing report summarized by fund was reviewed and approved each pay period, but this report did not provide any detail for the employees who were paid from those funds.

Additionally, the controls established for payroll disbursements for the Special Education Cluster (IDEA) programs were not properly implemented. The attendance register approving contracted teachers did not always include all contracted teachers, and time cards for hourly employees were not always approved by the appropriate official (School Building Principal or Program Director).

The lack of controls was a systemic issue throughout the audit period.

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed and implemented a system of internal control that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and compliance requirements listed above. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Views of Responsible Officials

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

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-003

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): PN 14217-019-PN01,
PN 45716-019-PN01,
PN 45717-019-PN01

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

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 Matching, Level of Effort, and Earmarking compliance requirement.

The School Corporation did not have effective internal controls in place to ensure that the School Corporation expended the amount necessary to meet earmarking requirements. The School Corporation was required to spend at least an amount that was the same proportion of the total sub-grant as the number of non-public school students with disabilities was to the total of student with disabilities of the same age range within the School Corporation's boundaries.

The School Corporation did not meet earmarking requirements for the Preschool grant award PN 45716-019-PN01, which was awarded in fiscal year 2015-2016. A separate account line was maintained in the financial records to specifically identify services for non-public schools. Based on information reported in the School Corporation's financial records, non-public school expenditures were \$1,602 less than the required amount to be set aside according to the 2015/2016 grant application. Additionally, the 2018-2019 financial records included expenditures related to the 2016-2017 grant award that were not related to non-public school services under this same account line.

The School Corporation did not maintain or retain adequate documentation of what expenditures were attributable to non-public school services. Therefore, we were not able to determine if the School Corporation met the earmarking requirement for the PN 14217-019-PN01 and PN 45717-019-PN01 grant awards related to regular and preschool grant programs. Grants awarded in 2017-2018 and 2018-2019 had not ended during our audit period, therefore, the earmarking requirements were not tested during this audit.

The lack of internal controls and noncompliance was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

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

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

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

Cause

Management had not developed a system of internal control that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2019-004

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years or Other Identifying Numbers): PN 14216-019-PN01, PN 14217-019-PN01,
PN 18611-019-PN01, PN 19611-019-PN01,
PN 45716-019-PN01, PN 45717-019-PN01,
PN 18619-019-PN01, PN 19619-019-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system, 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 Procurement and Suspension and Debarment compliance requirement.

Procurement

Proper controls were not in place to ensure that applicable procured goods and services were purchased using the small purchase method. The required price or rate quotations for small purchases were not obtained.

Suspension and Debarment

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

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

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

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

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

MARION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.320(b) states:

"(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."

2 CFR 180.300 states:

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

You do this by:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

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 effective internal controls to ensure compliance with 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.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



Business Office
phone: 765-662-2546 x.143
fax: 765-651-2083

District Offices, Marion High School, 750 W. 26th St., Marion, IN 46953

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Troy Cloum

Contact Phone Number: 765-662-2546

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. Grant Managers and Administrators will submit, on at least a quarterly basis, a current listing of employees and the fund numbers from which they should be paid.
2. The Corporation will develop a policy and procedure for Grant Managers and Administrators to communicate payroll changes to the Business Office.
3. The Distribution Report and all supporting documentation for each payroll will be reviewed by the Chief Financial Officer, Assistant Chief Financial Officer, or designee.
4. For each pay period, all payroll documents will be kept together after review and approval.

Anticipated Completion Date: 04/01/2020

FINDING 2019-002

Contact Person Responsible for Corrective Action: Troy Cloum

Contact Phone Number: 765-662-2546

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. Grant Managers and Administrators will submit, on at least a quarterly basis, a current listing of employees and the fund numbers from which they should be paid.
2. The Corporation will develop a policy and procedure for Grant Managers and Administrators to communicate payroll changes to the Business Office.

3. The Distribution Report and all supporting documentation for each payroll will be reviewed by the Chief Financial Officer, Assistant Chief Financial Officer, or designee.
4. For each pay period, all payroll documents will be kept together after review and approval.

Anticipated Completion Date: 04/01/2020

FINDING 2019-003

Contact Person Responsible for Corrective Action: Melissa Pogue

Contact Phone Number: 765-662-2546

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The report utilized for the finding is no longer required as of 07/2019. The new report has a built in system of internal controls to ensure the same proportion of the public agency total subgrant dollars is expended as the number of nonpublic school students with disabilities, who are enrolled in a nonpublic school within the public school boundaries.

On a monthly basis, the Director of Special Education shall review and approve all expenditure reports, especially expenditures for non-public students, and return proper documentation to the business office. Additionally, the Director of Special Education, shall compare expenditures to the budget to ensure compliance.

Anticipated Completion Date: Monthly Monitoring

FINDING 2019-004

Contact Person Responsible for Corrective Action: Melissa Pogue

Contact Phone Number: 765-662-2546

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

For any contract more than \$25,000:

1. The school will check the SAM Exclusion Website. This will be documented via a screenshot of the website.
2. The school will collect a certification of non-suspension and non-debarment from the person or vendor.

The school will utilize the following small purchase method for cumulative purchases that exceed \$25,000.

1. Obtain 3 quotes

2. Once 3 quotes are obtained, the most cost effective quote will be chosen. Price should be the highest determining factor. Other factors to be considered include delivery, location, quality, etc.

Anticipated Completion Date: Ongoing

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/>.