

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BENTON COMMUNITY SCHOOL CORPORATION

BENTON COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/16/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tracy Albertson	07-01-17 to 06-30-20
Superintendent of Schools	Gregg Hoover	07-01-17 to 06-30-20
President of the School Board	Gabe Widmer Patrick Thurston Edward Schroeder	07-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-20



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AN EQUAL OPPORTUNITY EMPLOYER

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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 BENTON COMMUNITY SCHOOL
CORPORATION, BENTON 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 Benton Community 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Benton Community 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

February 24, 2020, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is February 25, 2020



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

TO: THE OFFICIALS OF THE BENTON COMMUNITY SCHOOL CORPORATION, BENTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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 item 2019-002, to be a material weakness.

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 items 2019-003 and 2019-004, to be significant deficiencies.

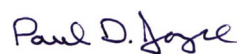
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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, CPA
State Examiner

February 25, 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.

BENTON COMMUNITY 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	FY2018	\$ -	\$ 99,864	\$ -	\$ -
School Breakfast Program		10.553	FY2019	-	-	-	94,070
Total - School Breakfast Program				-	99,864	-	94,070
National School Lunch Program	Indiana Department of Education	10.555	FY2018	-	434,134	-	-
National School Lunch Program		10.555	FY2018	-	11,265	-	-
National School Lunch Program		10.555	FY2019	-	-	-	10,242
National School Lunch Program		10.555	FY2019	-	-	-	415,378
Commodities		10.555	FY2018; FY2019	-	71,355	-	75,033
Total - National School Lunch Program				-	516,754	-	500,653
Total - Child Nutrition Cluster				-	616,618	-	594,723
Total - Department of Agriculture				-	616,618	-	594,723
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Part B 611 IDEA Grant FY16	Indiana Department of Education	84.027	14216-049-PN01	-	311	-	-
Part B 611 IDEA Grant FY19		84.027	19611-049-PN01	-	-	-	375,487
Part B 611 IDEA Grant FY17		84.027	14217-049-PN01	-	114,847	-	-
Part B 611 IDEA Grant FY17		84.027	14217-049-PN01	-	-	-	2,382
Part B 611 IDEA Grant FY18		84.027	18611-049-PN01	-	380,166	-	-
Part B 611 IDEA Grant FY18		84.027	18611-049-PN01	-	-	-	136,158
Total - Special Education Grants to States				-	495,324	-	514,027
Special Education Preschool Grants							
Part B 619 Preschool Grant FY18	Indiana Department of Education	84.173	18619-049-PN01	-	5,808	-	-
Part B 619 Preschool Grant FY18		84.173	18619-049-PN01	-	-	-	11,816
Part B 619 Preschool Grant FY19		84.173	19619-049-PN01	-	-	-	2,235
Part B 619 Preschool Grant FY17		84.173	45717-049-PN01	-	11,046	-	-
Total - Special Education Preschool Grants				-	16,854	-	14,051
Total - Special Education Cluster (IDEA)				-	512,178	-	528,078

BENTON COMMUNITY 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
Title I Grants to Local Educational Agencies							
	Indiana Department of Education						
Title I SY 2016-17		84.010	S010A150014	-	58,392	-	-
Title I SY 2017-18		84.010	S010A170014	-	176,075	-	-
Title I SY 2017-18		84.010	S010A170014	-	-	-	45,292
Title I SY 2018-19		84.010	S010A180014	-	-	-	195,544
Total - Title I Grants to Local Educational Agencies				-	234,467	-	240,836
Supporting Effective Instruction State Grants							
	Indiana Department of Education						
Title II 15-16 Class Size Reduction		84.367	S367A150015	-	900	-	-
Title II 16-17 Class Size Reduction		84.367	S367A160013	-	42,472	-	-
Title II 16-17 Class Size Reduction		84.367	S367A160013	-	-	-	469
Title II Class Size Reduction		84.367	S367A170013	-	20,283	-	-
Title II Class Size Reduction		84.367	S367A170013	-	-	-	26,822
Total - Supporting Effective Instruction State Grants				-	63,655	-	27,291
Student Support and Academic Enrichment Program							
	Indiana Department of Education						
Title IV Part A FY18		84.424	S424A180015	-	-	-	5,000
Total - Department of Education				-	810,300	-	801,205
Total federal awards expended				\$ -	\$ 1,426,918	\$ -	\$ 1,395,928

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

BENTON COMMUNITY 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 to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the fiscal agent for the Cooperative.

BENTON COMMUNITY 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?	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:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	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: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal control or separated incompatible activities related to receipts and other financing sources and uses.

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The School Corporation did not have effective controls in place to ensure that receipts were properly recorded and reported in the financial statement. Receipts were recorded based on deposits without a review or approval process.

Other Financing Sources and Uses

The School Corporation did not have effective controls in place to ensure that transfers were properly recorded and reported in the financial statement. Transfers were recorded without a review or approval process.

Criteria

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

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

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

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

Cause

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

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Program Income, Special Test
and Provisions - School Food Accounts
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2017-002 and 2017-005.

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: Eligibility, Program Income, and Special Test and Provisions - School Food Accounts.

Eligibility

The School Corporation used a food software program to store, manage, and automatically make the eligibility determinations dependent upon the information entered into the software by the parents, guardians, or food service employees.

The School Corporation did not have a proper system of oversight or review to ensure that the federal income guidelines entered into the software program were accurate for fiscal years 2017-2018 and 2018-2019.

Program Income

The Treasurer made transfers from the Prepaid Lunch fund to the School Lunch fund based on income reports obtained from the food service software. There was no review or oversight to ensure that the correct amounts were transferred from the Prepaid Lunch fund to the School Lunch fund.

Special Test and Provisions - School Food Accounts

The Treasurer transferred the indirect costs from the School Lunch fund to the General fund without a review or oversight to ensure that the correct amounts were transferred.

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

BENTON COMMUNITY 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 had not developed a system of internal control to ensure compliance with the compliance requirements listed above.

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 listed above. 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 controls related to the grant agreement and the Eligibility, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

FINDING 2019-003

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 81.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-049-PN01, 14217-049-PN01,
18619-049-PN01, 45716-049-PN01
45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Significant Deficiency, Other Matters

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Cooperative School Services (Cooperative) requested reimbursement from the School Corporation, as a member school corporation of the Cooperative, for payroll costs related to speech therapist services at the School Corporation. Personnel activity reports or equivalents were not maintained for the portion of the speech therapists' salaries and related costs paid from the grant. The Cooperative paid each member school corporation based on its grant budgets for speech therapists, which did not properly document time attributable to the grant. The total expenditures that were reimbursed to the Cooperative without proper supporting documentation was \$36,446.

Federal Award Number 45716-049-PN01 was a federal award from a previous year that was tested during the current audit period. Because this was a federal award from a previous year, no receipts occurred during the audit period and will not be located on the Schedule of Expenditures of Federal Awards for the current audit period.

The lack of controls and noncompliance were isolated to the speech therapist services during 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. . . ."

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;

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 control that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

Known questioned costs of \$36,446 were identified in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2019-004

Subject: 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, 81.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-049-PN01, 14217-049-PN01,
18619-049-PN01, 45716-049-PN01
45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Significant Deficiency, Other Matters

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Cooperative School Services (Cooperative) requested reimbursement from the School Corporation, as a member school corporation of the Cooperative, for payroll costs related to speech therapist services at the School Corporation. Personnel activity reports or equivalents were not maintained for the portion of the speech therapists' salaries and related costs paid from the grant. The Cooperative paid each member school corporation based on its grant budgets for speech therapists, which did not properly document time attributable to the grant.

Federal Award Number 45716-049-PN01 was a federal award from a previous year that was tested during the current audit period. Because this was a federal award from a previous year, no receipts occurred during the audit period and will not be located on the Schedule of Expenditures of Federal Awards for the current audit period.

The lack of controls and noncompliance were isolated to the speech therapist services during 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. . . ."

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); . . .

BENTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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. . . ."

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."

Cause

Management had not developed a system of internal control that would have ensured compliance with the earmarking requirements.

Effect

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

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 and comply with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017

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

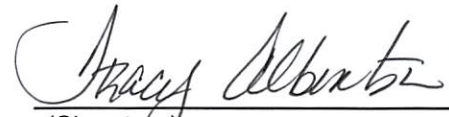
Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Superintendent reviews Gateway Annual Financial Report before submission.


The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.



(Signature)



(Title)



(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Food Service Director and/or school secretaries process the applications for free and reduced meals and the Café Manager at BCHS pulls 20% of free and reduced applications to check for accuracy.


(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: We update the cash management monthly and monitor the three month average expenditure for allowed cash balance.

Tracy Albertson
(Signature)

Director of Fin/Inv.
(Title)

2-15-2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2017


Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: We view the SAM Exclusion website as needed and printout documentation. We attempt to acquire three quotes from vendors when making purchases over the \$3,500 threshold. Bids are approved by the School Board.



(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: 2017


Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: We have set up a prepaid lunch account for payments.


(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



FINDING 2017-006

Fiscal year in which the finding occurred: 2017

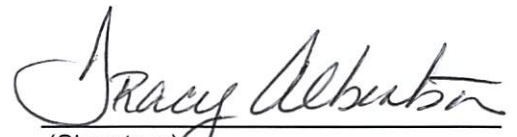
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Internal Controls have been put into place. Time & Effort documents are maintained at the building level and the Co-op level. Time and Effort records from the previous employee who resigned employment in Dec. 2017 are not available. We are still in the process of ensuring the costs charged to grant funds are supported by these Time & Effort Logs.



(Signature)

Director of Finance /Treasurer

(Title)

February 15, 2020

(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

Fiscal year in which the finding initially occurred: 2017


Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Internal Controls have been put into place.


(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Internal Controls have been put into place. There was underlying obligations from prior grants that were paid with the new grant. This was a one time occurrence due to the change in the LEA. Any future changes to the LEA/Fiscal Agent for the Cooperative School Services all financial obligations will close prior to the transfer to a new school corporation as LEA/Fiscal Agent.


(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-009

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: INDOE

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem

Contact Phone Number: 765-884-0850

Status of Audit Finding:

Corrective Action has been implemented: Internal Controls have been put into place. A certification regarding D.S. ineligibility and voluntary exclusion is secured on an annual basis for companies or corporations contracted to do business with CSS. Documentation is maintained at the CSS office.


(Signature)

Director of Finance/Treasurer
(Title)

Feb. 15, 2020
(Date)

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson, ECA Treasurers
Contact Phone Number: 765-884-0850

Views of Responsible Official:

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation’s internal control processes.

Description of Corrective Action Plan:

Receipts:

Management will meet with Principals and ECA Treasurers to evaluate if additional controls can be put into place when receipts are issued and deposits made.

Anticipated Completion Date: June 1, 2020

Other Financing Sources and Uses:

Management will include all transfers, including inter-fund transfers, in the school board vouchers monthly.

Anticipated Completion Date: Immediately

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Description of Corrective Action Plan:

Eligibility:

Currently the federal income guidelines are entered by the Food Service Director into the software program. We will implement a system where the Food Service Director verifies the accuracy of the federal guidelines that were entered into the software system by a staff member from the corporation office.

Anticipated Completion Date: Effective with the 2020-21 School Year

Program Income:

Corrective action was taken in July 2019 by the treasurer and food service director at their annual meeting. Currently the Food Service Director verifies the reports obtained from the food service software and forwards to the treasurer to make the monthly transfers.

Anticipated Completion Date: Corrected July 2019

Special Test and Provisions-Food School Accounts

Currently the Superintendent reviews the indirect cost calculations done by the treasurer. Management will meet to see if another layer of review or oversight can be added with current staffing available.

Anticipated Completion Date: June 30, 2020

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation’s internal control processes.

Description of Corrective Action Plan:

Benton Community School Corporation and Cooperative School Services will establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirements listed in Finding 2019-003. An internal control system, including segregation of duties, will be designed to provide reasonable assurance that material noncompliance will be corrected.

Anticipated Completion Date: May 1, 2020

CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation’s internal control processes.

Description of Corrective Action Plan:

Benton Community School Corporation and Cooperative School Services will establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirements listed in Finding 2019-004. An internal control system, including segregation of duties, will be designed to provide reasonable assurance that material noncompliance will be corrected.

Anticipated Completion Date: May 1, 2020

OTHER REPORTS

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