

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

FEDERAL COMPLIANCE AUDIT REPORT
OF

SUNMAN-DEARBORN COMMUNITY
SCHOOL CORPORATION
DEARBORN COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/18/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Ann Baines	07-01-17 to 06-30-21
Superintendent of Schools	Dr. Andrew Jackson	07-01-17 to 06-30-22
President of the School Board	Michael Norman	01-01-17 to 12-31-20



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

TO: THE OFFICIALS OF THE SUNMAN-DEARBORN COMMUNITY
SCHOOL CORPORATION, DEARBORN 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 Sunman-Dearborn 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 19, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

Sunman-Dearborn 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 19, 2020



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AN EQUAL OPPORTUNITY EMPLOYER

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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 SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Sunman-Dearborn 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.

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)

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.

Other Matters

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

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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


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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 19, 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 19, 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.

SUNMAN-DEARBORN 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					
School Breakfast Program			FY2018	\$ -	\$ 94,482	\$ -	\$ -
School Breakfast Program			FY2019	-	-	-	87,940
Total - School Breakfast Program				-	94,482	-	87,940
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY2018	-	500,329	-	-
School Lunch Program			FY2019	-	-	-	468,354
Commodities				-	149,571	-	144,437
Total - National School Lunch Program				-	649,900	-	612,791
Total - Child Nutrition Cluster				-	744,382	-	700,731
Total - Department of Agriculture				-	744,382	-	700,731
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education	Indiana Department of Education	84.027	14217-052-PN01	-	282,454	-	-
Special Education			14218-052-PN01	-	563,046	-	-
Special Education			18611-050-PN01	-	-	-	266,680
Special Education			19611-050-PN01	-	-	-	536,591
Total - Special Education Grants to States				-	845,500	-	803,271

SUNMAN-DEARBORN 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education			18619-050-PN01	-	-	-	68,985
Special Education			19619-050-PN01	-	-	-	43,959
Special Education			45717-050-PN01	-	67,199	-	-
Special Education			45718-050-PN-01	-	13,340	-	-
Total - Special Education Preschool Grants				-	80,539	-	112,944
Total - Special Education Cluster (IDEA)				-	926,039	-	916,215
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017-2018			S010A150014	-	247,164	-	-
Title I 2018-2019			S010A180014	-	-	-	298,870
Total - Title I Grants to Local Educational Agencies				-	247,164	-	298,870
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA			S367A150013	-	27,987	-	-
Title IIA			S367A160013	-	57,297	-	30,094
Title IIA			S367A170013	-	1,276	-	60,144
Total - Supporting Effective Instruction State Grants				-	86,560	-	90,238
Total - Department of Education				-	1,259,763	-	1,305,323
Total federal awards expended				\$ -	\$ 2,004,145	\$ -	\$ 2,006,054

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

SUNMAN-DEARBORN 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 not 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 Cooperative. The School Board voted to withdraw from the Cooperative in February 2019, effective July 1, 2020.

SUNMAN-DEARBORN 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?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Special Education Cluster (IDEA)	Unmodified
Child Nutrition Cluster	Unmodified

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

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

FINDING 2019-001

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

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding number was 2015-001.

SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

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

The SEFA contained the following errors:

1. The Child Nutrition Cluster was overstated in the amount of \$1,095,444.
2. The Title I Grants to Local Educational Agencies program was overstated in the amount of \$1,695.

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

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

Criteria

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

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

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

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.510(b) states:

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

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Special Education Cluster (IDEA) - Procurement
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): 14217-052-PN01, 45717-050-PN01,
18619-050-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation is a member of the Ripley-Ohio-Dearborn Special Education Cooperative (Cooperative). During fiscal year 2017-2018, the Cooperative operated the special education programs and managed the special education funds on behalf of all its members. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the Procurement and Suspension and Debarment compliance requirement.

The Cooperative had a written procurement policy; however, it did not reflect the required state and federal laws and regulations. Additionally, documentation was not provided to support the history of their procurements, including the rationale for method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price.

For each of the six vendors tested during 2017-2018, the Cooperative did not obtain price or rate quotations from an adequate number of qualified sources for the purchase of goods or services that fell within the small purchase procedures for procurements, nor was full and open competition provided.

The lack of controls and noncompliance were systemic issues in 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

(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 200.320 states in part:

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

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal Entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Cause

Management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The lack of internal controls allowed material noncompliance to go undetected.

Questioned Costs

There were no questioned costs identified.

SUNMAN-DEARBORN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



Sunman-Dearborn Community Schools
1 Trojan Place, Suite B
St. Leon, IN 47012

Dr. Andrew Jackson
Superintendent

Mr. Brandon Burress
Director of Support Services

Ms. Cindy Morton
Director of Student Services

Ms. Mary Ann Baines
Director of Financial Operations

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Mary Ann Baines
Contact Phone Number: 812-623-2291 Ext. 10907

Status of Audit Finding: Prior to submission of our AFR in Gateway the report is reviewed and signed off by both the Superintendent and Director of Financial Operations. This procedure was implemented beginning with the 2016-17 AFR.

Prior to submission of our AFR in Gateway, the report is reviewed and signed off by both the Superintendent and Director of Financial Operations. This procedure was implemented in both 2017-2018 and 2018-2019, however there were material errors that our control system did not catch. The Federal Audit team brought to our attention that Child Nutrition Cluster receipts were again overstated for the 2018-2019 School Year. We will consider improvements to our internal control process over the SEFA to prevent similar errors in the future.

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Mary Ann Baines
Contact Phone Number: 812-623-2291 Ext. 10907

Status of Audit Finding: For each vendor that exceeds \$25,000, the ROD Cooperative does a search on the SAM Federal registry to verify the selected vendor has not been suspended or debarred. The director also signs the printed registry search verifying the vendor has not been suspended or debarred.

Internal Control processes were implemented at ROD to ensure that they properly followed their procurement procedures, as well as applicable state and federal regulations. Additionally, internal control processes were implemented to ensure that all required documentation is included in the contract files for purchases at the Cooperative. These procedures were implemented before the 2019 school year.

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Mary Ann Baines

Contact Phone Number: 812-623-2291 Ext. 10907

Status of Audit Finding: This was corrected when it was brought to our attention at the last audit. We made the changes effective with the May 2016 School Lunch and Breakfast reimbursement claim. However, 15-16 and 16-17 were in the past and it was impossible to go back and correct. The Food Services Administrative Assistant prepares the claim. She then forwards to the DFS for review and approval. After approval from DFS the claim is then submitted to the state by the Food Service Administrative Assistant. Both parties do initial.

This was corrected when it was brought to our attention at the last audit. We made changes effective with the 2016-17 Annual Financial Report. However, 15-16 was in the past and it was impossible to go back and correct. The Food Service Administrative Assistant provides the Director of Food and Nutrition Services with the expenditures and receipts for the fiscal year. The DFS reviews the reports and prepares the Annual Financial Report. The DFS then provides the AFR to the Director of Financial Operations to review and compare to prior submissions, after review the Director of Financial Operations signs off on and the DFS submits the Annual Financial Report. All parties will initial.

The verification summary report is prepared by the DFS, she then sends to the Food Services Administrative Assistant for review. After review and confirmation of information the Food Services Administrative Assistant sends the DFS an email stating she has reviewed and then DFS submits the Verification Summary report. The Food Services Administrative Assistant went back to July 1, 2017 and reviewed, confirmed and signed off on the Verification Summary reports up to current.

The program income finding is reviewed and approved beginning with the 2017-18 school year. Although the 2017-18 program year has concluded, all of the transactions between the pre-paid lunch and the school lunch fund were reviewed by the Director of Food and Nutrition Services. No errors were found in the 2018-19 school year. Effective at conclusion of last audit (12/12/18) the Food Service Administrative Assistant forwarded the reports to the DFS each month to review all transfers between the pre-paid lunch and school lunch fund. After review, the DFS will signs off on the transfers.

(Signature)

Margaret Seims

(Title)

Director of Financial Operations/
Corporation Treasurer

(Date)

1-30-2020

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



Sunman-Dearborn Community Schools
 1 Trojan Place, Suite B
 St. Leon, IN 47012

Dr. Andrew Jackson
 Superintendent

Mr. Brandon Burress
 Director of Support Services

Ms. Cindy Morton
 Director of Student Services

Ms. Mary Ann Baines
 Director of Financial Operations

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person: Mary Ann Baines
 Title: Director of Financial Operations/Treasurer
 Contact Phone Number: 812-623-2291 Ext. 10907

VIEWS OF RESPONSIBLE OFFICIAL: We concur with the finding.

CORRECTIVE ACTION PLAN - The SEFA portion of the Annual Financial Report (Gateway) for 2018-19 had an overstatement of revenues for the Child Nutrition Cluster. All revenues were reported for the Child Nutrition Cluster in error, it should have been only federal receipts. The revenues were also overstated for Title I for 2018-19. Sunman-Dearborn began billing neighboring school corporations for Excess Costs for Title I services we provided to their students. I reported those receipts as federal monies in error. Both of these errors have been corrected on the FY 19, AFR Report. A document has now been created to be kept with the AFR documents, it consists of a check off list and definition of receipts to be reported on the SEFA. The report will continue to be reviewed by two parties and signed off on.

FINDING 2019-002

Contact Person: Mary Ann Baines
 Title: Director of Financial Operations/Treasurer
 Contact Phone Number: 812-623-2291 Ext. 10907

VIEWS OF RESPONSIBLE OFFICIAL: We concur with the finding.

CORRECTIVE ACTION PLAN - Beginning with the 2018-19 school year documentation of price/rate quotations for purchases over the \$10,000 threshold (on federal purchases) and \$50,000 (non-federal purchases) are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation of quotes on purchases between \$50,000 - \$150,000 are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation on bids on purchases over \$150,000 are maintained by the ROD Cooperative. The Director of Special Education initials all of these documents.

Beginning with the 2018-19 school year contracted services are obtained by ROD in the event a qualified person is not available to fill the position. The position is initially posted by the ROD Cooperative, if no qualified candidates apply then the Director of Special Education reaches out to companies who contract for the needed service and negotiates the contract. The Director of Special Education initials paperwork showing there were no qualified applicants. The contract is then signed by the Director of Special Education and approved by the ROD Special Education Board of Directors.

Mary Ann Baines, Treasurer Signature

Mary Ann Baines, Printed Name

2-4-2020, Date

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/>.