

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

COMMUNITY SCHOOLS OF FRANKFORT

CLINTON COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/19/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	15-21
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	24
Corrective Action Plan	25-26
Other Reports	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leslie L. Michael	07-01-17 to 12-31-20
Superintendent of Schools	Donald W. DeWeese	07-01-17 to 06-30-21
President of the School Board	Sandra L. Miller Karen Sutton	01-01-17 to 12-31-18 01-01-19 to 12-31-20



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

TO: THE OFFICIALS OF THE COMMUNITY SCHOOLS OF FRANKFORT, CLINTON 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 Community Schools of Frankfort (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 19, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

Community Schools of Frankfort'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

December 19, 2019, except for the Schedule of Expenditures
of Federal Awards, for which the date is February 20, 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 COMMUNITY SCHOOLS OF FRANKFORT, CLINTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Community Schools of Frankfort'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 2019-002 and 2019-003. 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 items 2019-002 and 2019-003, that we consider to be material weaknesses.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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)

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated December 19, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

February 20, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2017-18	\$ -	\$ 358,362	\$ -	\$ -
School Breakfast Program			2018-19	-	-	-	352,293
Total - School Breakfast Program				-	358,362	-	352,293
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555	2017-18	-	1,248,509	-	-
School Lunch			2018-19	-	-	-	1,285,093
Commodities			2017-18	-	146,701	-	-
Commodities			2018-19	-	-	-	145,885
After School Snack Program			2017-18	-	9,362	-	-
After School Snack Program			2018-19	-	-	-	8,213
Total - National School Lunch Program				-	1,404,572	-	1,439,191
Summer Food Service Program for Children							
Summer Food Service Program For Children	Indiana Department of Education	10.559	2017-2018	-	7,123	-	-
Summer Food Service Program For Children			2018-19	-	-	-	7,564
Total - Summer Food Service Program for Children				-	7,123	-	7,564
Total - Child Nutrition Cluster				-	1,770,057	-	1,799,048
Total - Department of Agriculture				-	1,770,057	-	1,799,048
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Ed Part B	Indiana Department of Education	84.027	14216-004-PN01	-	37,477	-	-
Special Ed Part B			14217-004-PN01	-	270,275	-	-
Special Ed Part B			14217-004-PN01	-	-	-	53,988
Special Ed Part B			18611-004-PN01	-	449,272	-	-
Special Ed Part B			18611-004-PN01	-	-	-	266,423
Special Ed Part B Fy 2019			19611-004-PN01	-	-	-	506,971
Total - Special Education Grants to States				-	757,024	-	827,382
Special Education Preschool Grants							
Special Ed Preschool	Indiana Department of Education	84.173	18619-004-PN02	-	13,529	-	-
Special Ed Preschool			18619-004-PN02	-	-	-	6,679
Special Ed Preschool			19619-004-PN01	-	-	-	8,771
Special Ed Preschool			45717-004-PN01	-	15,328	-	-
Special Ed Preschool			45717-004-PN01	-	-	-	7,711
Total - Special Education Preschool Grants				-	28,857	-	23,161
Total - Special Education Cluster (IDEA)				-	785,881	-	850,543

COMMUNITY SCHOOLS OF FRANKFORT
 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	84.010					
Title I 1003 (A)			S010A160014	-	71,449	-	-
Title I 1003 (A)			S010A170014	-	71,107	-	-
Title I 1003 (A)			S010A170014	-	-	-	72,332
Title I			S010A150014	-	-	-	269,975
Title I			S010A180014	-	-	-	461,967
Title I			S010A150014	-	200,172	-	-
Title I			S010A150014	-	378,151	-	-
<u>Total - Title I Grants to Local Educational Agencies</u>				<u>-</u>	<u>720,879</u>	<u>-</u>	<u>804,274</u>
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
Twenty-First Century Community Learning Centers			A58717DL0073	-	-	-	6,884
Twenty-First Century Community Learning Centers			S287C150014	-	128,279	-	-
Twenty-First Century Community Learning Centers			S287C160014	-	158,368	-	-
<u>Total - Twenty-First Century Community Learning Centers</u>				<u>-</u>	<u>286,647</u>	<u>-</u>	<u>6,884</u>
Gaining Early Awareness and Readiness for Undergraduate Programs Gear Up 2016	Indiana Department of Education	84.334	2016	-	4,032	-	-
Rural Education	Indiana Department of Education	84.358					
Rural Education			S358B0160014	-	72,891	-	-
Rural And Low Income			S358B0170014	-	-	-	59,630
<u>Total - Rural Education</u>				<u>-</u>	<u>72,891</u>	<u>-</u>	<u>59,630</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01116-013-PN01	-	17,739	-	-
Title III			01117-011-PN01	-	59,189	-	-
Title III			01118-011-PN01	-	65,326	-	-
Title III			01118-011-PN01	-	-	-	49,658
Title III			01119-013-PN01	-	-	-	67,435
<u>Total - English Language Acquisition State Grants</u>				<u>-</u>	<u>142,254</u>	<u>-</u>	<u>117,093</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			S367A150013	-	90,534	-	-
Title II			S367A160013	-	33,186	-	-
Title II			S367A160013	-	-	-	69,801
Title II			S367A170013	-	-	-	35,260
Title II			S367A180013	-	-	-	5,603
<u>Total - Supporting Effective Instruction State Grants</u>				<u>-</u>	<u>123,720</u>	<u>-</u>	<u>110,664</u>

COMMUNITY SCHOOLS OF FRANKFORT
 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
Student Support and Academic Enrichment Program Title IV	Indiana Department of Education	84.424	S424A180015	-	-	-	24,421
Total - Department of Education				-	2,136,304	-	1,973,509
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program							
IEP Services	Indiana Department of Education	93.778	FY 2018	-	131,658	-	-
IEP Services			FY 2019	-	-	-	151,998
Indiana Mac Reimb Program			FY 2018	-	53,453	-	-
Indiana Mac Reimb Program			FY 2019	-	-	-	50,729
Total - Medical Assistance Program				-	185,111	-	202,727
Total - Medicaid Cluster				-	185,111	-	202,727
Assistance Programs for Chronic Disease Prevention and Control							
Healthier Community Nutritional Grant	Indiana State Department of Health	93.945	FY 2018	-	2,152	-	-
Healthier Community Nutritional Grant			FY 2019	-	-	-	2,500
Total - Assistance Programs for Chronic Disease Prevention and Control				-	2,152	-	2,500
Total - Department of Health and Human Services				-	187,263	-	205,227
Total federal awards expended				\$ -	\$ 4,093,624	\$ -	\$ 3,977,784

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

COMMUNITY SCHOOLS OF FRANKFORT
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.

COMMUNITY SCHOOLS OF FRANKFORT
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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

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

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 federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. There was not an effective review process in place to detect and correct errors prior to submission.

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

Due to the lack of effective internal controls, the SEFA contained the following material error:

- The Mathematics and Science Partnerships grant expenditures were improperly included. This caused an overstatement of \$402,340.

An audit adjustment was proposed, approved by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

- (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 operates 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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Special Education Cluster (IDEA) - Earmarking

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-004-PN01, 14217-004-PN01,
18611-004-PN01, 19611-004-PN01,
18619-004-PN02, 19619-004-PN01,
45717-004-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. The Proportionate Share Monitoring Report was not completed on a quarterly basis for a substantial portion of the audit period, which may have allowed the proportionate share amount to be less than the required amount.

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). . . ."

2 CFR 200.302(b) states in part:

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

...

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

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

2 CFR 200.333 states in part:

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

Cause

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

Effect

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

Views of Responsible Officials

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

FINDING 2019-003

Subject: Title I Grants to Local Educational Agencies - Level of Effort: Supplement not Supplant

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
S010A170014, S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

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

Condition and Context

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Level of Effort - Supplement not Supplant compliance requirement.

The School Corporation did not meet the guidelines they set while using their methodology regarding the Supplement not Supplant requirement for fiscal year 2017-2018, and did not perform calculations using the 2018-2019 data (2017-2018 data was used). This was a systemic issue, as there were issues noted in both years of the audit period.

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). . . ."

Compliance under Title I, Part A as amended by the ESSA -

"The ESSA amended the Title I, Part A supplement not supplant requirement (Title I, Part A, Section 1118(b)(2) (20 USC 6321(b)(2))). The three presumptions above do not apply to Title I, Part A. Instead, to demonstrate compliance, an LEA must have a methodology or methodologies to allocate State and local funds to each Title I school that ensures that the school receives all of the State and local funds it would otherwise receive if it were not receiving Title I funds. This requirement applies to both schoolwide program schools and targeted assistance schools. Thus, a Title I targeted assistance school is not required to use Title I, Part A funds to provide supplemental services to identified children or to identify that an individual cost or service supported with Title I, Part A funds is supplemental. Title I, Part A funds still must be used only for allowable activities. (See Sections 1114 and 1115 of ESEA (20 USC 6314 and 6315))"

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

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

Views of Responsible Officials

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

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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: 2015/2016, 2016/2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Diane Stiening, Food Service Director and Leslie Michael, Treasurer
Contact Phone Number: (765)654-8545, (765)654-5585

Status of Audit Finding:

Food Service Director is signing off on all food managers time logs. The Assistant Superintendent signs off on Food Service Directors time log.

The board acted on November 13, 2018 for approval of the Food Service Directors pay and number of days. On January 7, 2019 the board acted to increase the Food Service Director's salary.

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2015/2016, 2016/2017 repeat finding of 2015-002
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture
Contact Person Responsible for Corrective Action: Diane Stiening, Food Service Director and Leslie Michael, Treasurer
Contact Phone Number: (765)654-8545, (765)654-5585

Status of Audit Finding:

The Corporation Treasurer and Food Service Director meet monthly to balance month end reports.

The corporation has hired a Food Service Supervisor to oversee the day to day building level oversight. The corporation feeds all kids free breakfast as of March 2019. The corporation has implemented for the 2019-2020 school year not charging students on reduced meals for lunch.

Personnel received a 2.5% salary increase effective on the 1/04/19 payroll and Board approved at the 12/08/18 board meeting. Another increase is being requested for January 2020.

Middle School cafeteria updates are planned for the summer of 2020. Suncrest to receive new signage December 2019. Blue Ridge/Green Meadows to replace flooring.

Other ways to spend down the cash balance enabling the corporation to stay in compliance are part of The Spend Down Plan dated August 29, 2019.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

Karen Sutton President **James McQuade** Vice President **Sandy Miller** Secretary **Mandi Mitchell** Board Member **Kristen Beardsley** Board Member **Mark Sheets** Board Member **Annie Bacon** Board Member



CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Leslie Michael
Contact Phone Number: 765-654-5585

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Director of Finance will submit the Annual Financial report after review by the Deputy Treasurer and Assistant Superintendent for accuracy of information entered into the Gateway. Such segregation of duties will prevent future misstatements of expenditures and provide the proper internal controls over funding.

Anticipated Completion Date: Effectively immediately and ongoing.

FINDING 2019-002

Contact Person Responsible for Corrective Action: Eric Farley
Contact Phone Number: 765-654-5585

Views of Responsible Official:

We concur with the finding. Upon review we agree that this finding will strengthen our process and allow consolidation and alignment between fiscal requirements. Furthermore, it allows for opportunities to collaborate to ensure alignment of spending and programmatic responsibilities.

Description of Corrective Action Plan:

1. Each Grant Application will be reviewed prior to submission for approval by the Director of Exceptional Needs & the Director of Finance, specifically Proportionate Share will be reviewed.
2. Upon Grant Approval, the Director of Exceptional Needs will keep a spreadsheet that indicates proportionate share allocation and balance, as a back up to the district's Komputrol System utilized by the Finance Department. The Komputrol System and funds are monitored by the Director of Finance. The Director of Finance supplies financial reports to the Director of Exceptional Needs on a biweekly basis for reimbursements.
3. Documentation consolidating required reimbursement and proportionate share balances and expenditures will be documented and submitted on the form provided by the IDOE. Both the Director of Exceptional Needs & the Director of Finance will review, ensure validity, and sign off on this form prior to submission to the IDOE.

4. If there are discrepancies with proportionate share and/or a modification is needed, the Director of Exceptional Needs & the Director of Finance will meet to review budget, expenditures, allocations, etc. related to proportionate share, and make adjustments as allowed by the IDOE.

Anticipated Completion Date: Effective immediately and ongoing.

FINDING 2019-003

Contact Person Responsible for Corrective Action: Lesley Miller
Contact Phone Number: 765-654-5585

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

Based on the June 2019 guidelines for supplement not supplant with Title I our district no longer has to submit a methodology report due to the fact that all four Title I buildings do not include the same grade spans. For reference:

Updated: Due to finalized non-regulatory guidance in June 2019, additional LEAs are exempt from the methodology requirements. Added language is represented in red. Beginning for the 2019-2020 school year, due to updated federal guidance, the following are exempt from complying with the methodology requirements as outlined in ESEA section 1118(b)(2):

1)LEAs with one school for the entire school corporation (e.g. charters). This refers to the legal configuration of the one school and not whether multiple legal schools are located within one physical building.

2)LEAs where all grade spans have a single school, non-Title I schools, or Title I schools(i.e., no methodology is required for this grade span). For example, a school corporation that has one K-5 elementary school, one 6-8 middle school, and one 9-12 high school would be exempt. This exemption is similar to the current comparability exemption. The addition of the “non-Title I schools or Title I schools” to the grade span exemption means that many more LEAs will be exempt from complying with the methodology requirements. See the examples in Appendix A for further information. LEAs who are now exempt will not be required to update methodologies upon future Title I submissions nor demonstrate compliance during the auditing process.

Anticipated Completion Date: Effective June 2019

Karen Sutton President James McQuade Vice President Sandy Miller Secretary Mandi Mitchell Board Member Kristen Beardsley Board Member Mark Sheets Board Member Annie Bacon Board Member

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/>.