

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTHWEST SCHOOL CORPORATION

SULLIVAN 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	10-11
Notes to Schedule of Expenditures of Federal Awards	12
Schedule of Findings and Questioned Costs	13-17
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	20-23
Corrective Action Plan	24
Other Reports	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Glenda D. Small (interim) Michele Hazelrigg	07-01-17 to 09-10-17 09-11-17 to 06-30-20
Superintendent of Schools	Chris Stitzle	07-01-17 to 06-30-20
President of the School Board	Mitzie Badger Grant Bryant Jerry Wilson Barbara Rotramel	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE SOUTHWEST SCHOOL CORPORATION, SULLIVAN 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 Southwest 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 27, 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.

Southwest 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 27, 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 SOUTHWEST SCHOOL CORPORATION, SULLIVAN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Southwest 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.

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.


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 February 27, 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 27, 2020

(This page intentionally left blank.)

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.

SOUTHWEST 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					
Fund 800 School Lunch			17-7715	\$ -	\$ 113,059	\$ -	\$ -
Fund 800 School Lunch			17-7715	-	-	-	112,040
Total - School Breakfast Program				-	113,059	-	112,040
National School Lunch Program							
Fund 800 School Lunch	Indiana Department of Education	10.555	17-7715	-	379,634	-	-
Fund 800 School Lunch			17-7715	-	-	-	388,676
Commodities			17-7715	-	72,700	-	70,461
Total - National School Lunch Program				-	452,334	-	459,137
Total - Child Nutrition Cluster				-	565,393	-	571,177
Total - Department of Agriculture				-	565,393	-	571,177
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies							
Fund 4115 Title I	Indiana Department of Education	84.010	S010A150014	-	241,602	-	-
Fund 4110 Title I			S010A150014	-	84,239	-	-
Fund 4115 Title I			S010A150014	-	-	-	69,070
Fund 4116 Title I			S010A180014	-	-	-	212,889
Total - Title I Grants to Local Educational Agencies				-	325,841	-	281,959
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education Grants to States	Indiana Department of Education	84.027	14216-022-PN01	-	25,658	-	-
Special Education Grants to States			14217-022-PN01	-	90,090	-	27,316
Special Education Grants to States			14218-022-PN01	-	-	-	82,099
Special Education Grants to States			18611-022-PN01	-	385,476	-	-
Special Education Grants to States			19611-022-PN01	-	-	-	366,478
Total - Special Education Grants to States				-	501,224	-	475,893

SOUTHWEST SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			45716-022-PN01	-	3,907	-	-
Special Education Preschool Grants			45717-022-PN01	-	14,999	-	-
Special Education Preschool Grants			18619-022-PN01	-	3,231	-	17,622
Special Education Preschool Grants			19619-022-PN01	-	-	-	3,745
Total - Special Education Preschool Grants				-	<u>22,137</u>	-	<u>21,367</u>
Rural Education	Indiana Department of Education	84.358					
Rural Education				-	-	-	17,922
Total - Rural Education				-	-	-	<u>17,922</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Fund 6847 Title II			S367A160013	-	48,302	-	-
Fund 6848 Title II			S367A170013	-	22,963	-	-
Fund 6848 Title II			S367A170013	-	-	-	28,858
Fund 6849			S367A180013	-	-	-	43,739
Total - Supporting Effective Instruction State Grants				-	<u>71,265</u>	-	<u>72,597</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Fund 5801 Title IV			S424A180015	-	-	-	6,230
Total - Student Support and Academic Enrichment Program				-	-	-	<u>6,230</u>
Disaster Recovery Assistance for Education	Indiana Department of Education	84.938					
Disaster Recovery Assistance for Education				-	-	-	22,697
Total - Disaster Recovery Assistance for Education				-	-	-	<u>22,697</u>
Total - Department of Education				-	<u>920,467</u>	-	<u>898,665</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 1,485,860</u>	<u>\$ -</u>	<u>\$ 1,469,842</u>

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

SOUTHWEST 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 the Greene-Sullivan Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on 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.

SOUTHWEST 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>
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
--	----

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 audit. The prior audit finding number was 2017-002.

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

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 award information was entered into the Indiana Gateway for Government Units financial reporting system (Gateway), which is the source of the SEFA. The Treasurer submitted the grant information into Gateway without an oversight, review, or approval process to ensure the federal awards information was entered and submitted correctly.

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster was understated by \$72,700 and \$70,461, respectively, for the periods ending June 30, 2018 and 2019, due to the omission of commodities.
2. The Title I Grants to Local Educational Agencies were understated by \$31,881 and \$7,934 for the periods ending June 30, 2018 and 2019, respectively.
3. The Special Education Grants to States were understated by \$501,224 and \$475,894 for the periods ending June 30, 2018 and 2019, respectively.
4. The Special Education Preschool Grants were understated by \$22,137 and \$21,367 for the periods ending June 30, 2018 and 2019, respectively.
5. The Rural Education was understated by \$17,922 for the period ending June 30, 2019.
6. Title II, Part A was overstated by \$371 for the period ending June 30, 2018, and understated by \$3,242 for the period ending June 30, 2019.
7. The Disaster Recovery Assistance for Education was understated by \$22,697 for the period ending June 30, 2019.

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

Criteria

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

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

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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 the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

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 *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 17-7715
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior year finding number was 2017-003.

Condition

The School Corporation has not designed or implemented adequate controls, policies, or procedures to ensure that the monthly net cash resources of the School Lunch fund did not exceed the three months average expenditures. There was no documentation of an oversight, review, or monitoring of the cash balances (net cash resources).

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over 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). . . ."

Cause

The School Corporation had no documentation to confirm the design and implemented system of internal controls that would have ensured compliance with the cash management requirement.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approvals.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENTS

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

SOUTHWEST SCHOOL CORPORATION



P.O. Box 510, Sullivan, Indiana 47882-1225
Phone: 812-268-6311 Fax: 812-268-6312

CHRIS STITZLE, Superintendent
JON STUCKEY, Asst. Superintendent, Transp. Dir.
MICHELE HAZELRIGG, Treasurer-Bookkeeper
TRACY VANDERGRUFF, Payroll Clerk, Personnel
REBECCA SCOTT, Administrative Assistant
BRIAN IRWIN, Technology Coordinator

BOARD OF SCHOOL TRUSTEES
MITZIE BADGER
JON BOBBITT
MIKE ESLINGER
BARBARA ROTRAMEL
JERRY D. WILSON

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:
Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Status of Audit Finding : All incoming items for deposit are received by central office personnel – Superintendent, Assistant Superintendent, Treasurer, Deputy Treasurer and Administrative Assistant and are forwarded to the Treasurer who makes out the deposit and posts to the ledger. Deposits are reviewed with supporting documentation and initialed by the Superintendent, Assistant Superintendent, Deputy Treasurer or Administrative Assistant and deposited in a timely manner by central office personnel/employees. Deposit receipts will be maintained with supporting documentation for audit purposes.

Bank reconciliations are prepared monthly by the Treasurer and provided to the Board and Superintendent for signatures of review and approval.

FINDING 2017-002

Fiscal Year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Status of Audit Finding: Federal expenditure reports will be obtained and verified by Treasurer and Superintendent for each school year reported. Each grant will be identified by corresponding CFDA and program identifying information as required by SEFA reporting.

FINDING 2017-003

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: Prepaid food balances have been established in a separate "prepaid" lunch account. This should reflect a more accurate food service account balance for comparison with the three-month average expenditures.

A secondary verification will be reviewed and approved by the Superintendent or Assistant Superintendent for the monthly free and reduced application. Monthly food reports will be reviewed by the Superintendent or Assistant Superintendent for comparison of expenditures and revenue and non-profit food service compliance.

FINDING 2017-004

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: Administrative Assistant reviews all on-line lunch applications for accuracy to ensure eligibility determinations are correct.

FINDING 2017-005

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: School lunch prices will be established in accordance with grant program requirements. The Food Service Director will use the lunch price equity tool to determine if the Southwest School Corporation is compliant. The Superintendent or Deputy Treasurer will check the calculations for accuracy.

FINDING 2017-006

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: A secondary verification will be reviewed and approved by the Superintendent or Assistant Superintendent for the free and reduced application.

The Food Service Director will prepare all reports. The Superintendent or Deputy Treasurer will check for accurate reporting for all federal food service funding and compliance requirements.

Monthly food reports will be reviewed by the Superintendent or Assistant Superintendent for comparison of expenditures and revenue and non-profit food service compliance.

FINDING 2017-007

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: The Level of Effort – Maintenance of Effort that is completed by the Corporation will be reviewed and signed by the Treasurer and Superintendent prior to submitting to the Greene-Sullivan Special Education Cooperative.

FINDING 2017-008

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: Management of the Southwest School Corporation will work with the Green-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with "Allowable Costs/Cost Principals" compliance requirements concerning time and effort reporting. The Greene-Sullivan Special Education Cooperative has a corrective action plan in place for their Treasurer and Deputy Treasurer to both verify the coding in their accounting system for employee salaries and benefits at the beginning of each school year. Completing their semi-annual Certification will also help to ensure that coding is correct.

. FINDING 2017-009

Fiscal Year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Chris Stitzle

Contact Phone Number: 812-268-6311

Status of Audit Finding: Management of the Southwest School Corporation will work with the Greene-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with Procurement and Suspension and Debarment requirement concerning the approval of contracts only after verifying the vendors were not suspended or debarred. The Greene-Sullivan Special Education Cooperative has a corrective action plan in place that requires their staff to require a written clause in all agreements that states the contractor was not suspended or ineligible of receiving Federal Funds. The GSSEC staff will check the System for Award Management (SAM Website) before entering into covered transactions with contractors and print out this documentation.

Southwest School Corporation Board will review and adopt the Greene-Sullivan Special Education Cooperative Procurement Policy after their policy is adopted by their Board. The Southwest School Corporation Superintendent is a member of the Greene-Sullivan Special Education Cooperative Board and will assist with monitoring for compliance.

Chris Stitzle

(Signature)
Superintendent

(Title)
2-4-2020

(Date)

(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 s200.511(b).)

SOUTHWEST SCHOOL CORPORATION



P.O. Box 510, Sullivan, Indiana 47882-1225

Phone: 812-268-6311

Fax: 812-268-6312

CHRIS STITZLE, Superintendent
JON STUCKEY, Asst. Superintendent, Transp. Dir.
MICHELE HAZELRIGG, Treasurer-Bookkeeper
TRACY VANDERGRUFF, Payroll Clerk, Personnel
REBECCA SCOTT, Administrative Assistant
BRIAN IRWIN, Technology Coordinator

BOARD OF SCHOOL TRUSTEES
MITZIE BADGER
JON BOBBITT
MIKE ESLINGER
BARBARA ROTRAMEL
JERRY D. WILSON

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Federal expenditure reports will be obtained and verified by Treasurer and Superintendent for each school year reported. Each grant will be identified by corresponding CFDA and program identifying information as required by SEFA reporting. The SEFA data that is reported will be entered by the Corporation Treasurer and approved by the Superintendent.

Anticipated Completion Date: March 2020

FINDING 2019-002

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

The Corporation Treasurer will implement a monthly system to monitor the required cash management controls of the school lunch funds 3 month average. The reports will be reviewed and signed by the Superintendent

Anticipated Completion Date: April 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/>.