

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SEYMOUR COMMUNITY SCHOOL CORPORATION

JACKSON COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/24/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steve Nauman Rebecca Reasoner (interim) Steve Nauman	01-01-17 to 10-31-18 11-01-18 to 12-11-18 12-12-18 to 12-31-20
Superintendent of Schools	Robert D. Hooker Brandon Harpe (interim) Brandon Harpe	07-01-17 to 12-31-18 01-01-19 to 06-30-19 07-01-19 to 12-31-22
President of the School Board	Art Juergens	01-01-17 to 12-31-19



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 SEYMOUR COMMUNITY SCHOOL
CORPORATION, JACKSON 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 Seymour 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 December 12, 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.

Seymour 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

December 12, 2019, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is January 30, 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 SEYMOUR COMMUNITY SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as 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.


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 12, 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

January 30, 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.

SEYMOUR 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	Total Federal Awards Expended 06-30-18	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			FY 18	\$ 349,144	\$ -
School Breakfast Program			FY 19	-	427,806
				<u>349,144</u>	<u>427,806</u>
Total - School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555			
School Lunch Program - Commodities			FY 18	200,843	-
School Lunch Program			FY 18	1,338,766	-
School Lunch Program			FY 19	-	1,545,444
School Lunch Program - Commodities			FY 19	-	193,592
School Snack Program			FY 19	-	173
				<u>1,539,609</u>	<u>1,739,209</u>
Total - National School Lunch Program					
Special Milk Program for Children	Indiana Department of Education	10.556			
Kindergarten Milk Program			FY 18	331	-
Kindergarten Milk Program			FY 19	-	187
				<u>331</u>	<u>187</u>
Total - Special Milk Program for Children					
Summer Food Service Program for Children	Indiana Department of Education	10.559			
Summer Food Service Program for Children			FY 18	60,510	-
Summer Food Service Program for Children			FY 19	-	71,108
				<u>60,510</u>	<u>71,108</u>
Total - Summer Food Service Program for Children					
Total - Child Nutrition Cluster				<u>1,949,594</u>	<u>2,238,310</u>
Total - Department of Agriculture				<u>1,949,594</u>	<u>2,238,310</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
5252 - Special Education			14217-091-PN01	328,217	4,897
5253 - Special Education			18611-091-PN01	664,150	403,555
5254 - Special Education			19611-091-PN01	-	556,315
				<u>992,367</u>	<u>964,767</u>
Total - Special Education Grants to States					

SEYMOUR 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	Total Federal Awards Expended 06-30-18	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173			
5453 - Special Education Preschool			18619-091-PN01	2,368	30,404
5454 - Special Education Preschool			19619-091-PN01	-	285
Total - Special Education Preschool Grants				<u>2,368</u>	<u>30,689</u>
Total - Special Education Cluster (IDEA)				<u>994,735</u>	<u>995,456</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
4120 - Title I			15-3675	113,247	-
4140 - Title I			S010A170014	-	623,052
4130 - Title I			S010A150014	506,802	106,332
Total - Title I Grants to Local Educational Agencies				<u>620,049</u>	<u>729,384</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
6882 - Title III			01116-034-PN01	47,801	-
6883 - Title III			01117-033-PN01	56,463	46,084
6884 - Title III			01118-032-PN01	10,085	49,646
Total - English Language Acquisition State Grants				<u>114,349</u>	<u>95,730</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
6842 - Title II Part A			S367A150015	34,573	-
6843 - Title II Part A			S367A160013	112,843	6,358
6844 - Title II Part A			S367A170013	36,946	75,157
6845 - Title II Part A			S367A180013	-	17,537
Total - Supporting Effective Instruction State Grants				<u>184,362</u>	<u>99,052</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
5800 - Title IV			S424A170015	1,473	68,500
5801 - Title IV			S424A180015	-	4,580
Total - Student Support and Academic Enrichment Program				<u>1,473</u>	<u>73,080</u>
Total - Department of Education				<u>1,914,968</u>	<u>1,992,702</u>
Total federal awards expended				<u>\$ 3,864,562</u>	<u>\$ 4,231,012</u>

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

SEYMOUR 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.

SEYMOUR 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Unmodified 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 SEFA contained the following errors:

1. The National School Lunch Program was understated by \$193,562.
2. The Summer Food Service Program for Children was understated by \$131,618.

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

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.

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:

SEYMOUR COMMUNITY SCHOOL CORPORATION
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 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.
- (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 of the School Corporation had not established a system of internal control that would ensure 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.

SEYMOUR 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 and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-091-PN01, 18611- 091-PN01,
19611-091-PN01, 18619-091-PN01,
19619-091-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have a control system in place to ensure compliance with the procurement requirements.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services costing between \$3,500 and \$150,000, which fell within the small purchase procedures. The School Corporation was unable to provide documentation that micro-purchases of less than \$3,500 were distributed among qualified suppliers.

Suspension and Debarment

The School Corporation did not have a control system in place to ensure compliance with the suspension and debarment requirements.

During fiscal year 2017-2018, the School Corporation purchased services exceeding \$25,000 from one vendor. The School Corporation was unable to provide documentation that a search of the Excluded Party List System was conducted, that certification from the entity was collected, or that a clause or condition that the vendor was not suspended or debarred was added to the contract.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

(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 200.318(i) states:

"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(b) states:

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to remain undetected.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation establish and implement control procedures that will ensure compliance with 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.



www.scsc.k12.in.us * (812)-522-3340 * 1638 South Walnut Street, Seymour, Indiana 47274

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Subject: Internal Controls over Financial Transactions and Reporting

Audit Finding: Material Weakness

Fiscal year in which the finding initially occurred: 2016-17
Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer
Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Status of Audit Finding:

Seymour Community Schools corrected the deficiencies in the internal control system related to documentation retention that will verify the necessary control procedures upon completion.

The Accounts Payable Clerk (AP Clerk) will write and post receipts and also make up deposits for the School Corporation Collections. The AP Clerk will run edit reports of the receipts, and the Treasurer or Deputy Treasurer will review and verify their agreements with the deposits. Documentation will be created and retained to verify that the control feature has been completed. This will support the expectation of segregation of duties.

Status of Audit Finding: Completed December 6, 2018



(Signature)

Business Manager / Treasurer
(Title)

October 29, 2019
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Subject: Title I Grants to Local Educational Agencies

Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Fiscal year in which the finding initially occurred: FY 14-15, FY 15-16, FY 16-17
Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer
Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Status of Audit Finding:

Seymour Community Schools established an effective and compliant internal control process and system related to the grant agreement and the Special Tests and Provisions – Annual Report Card, High School Graduation Rate compliance requirements and verification necessary to support accurate reporting of students who have exited Seymour High School.

The School Corporation requires that all Seymour High School Administration and Guidance Department personnel provide official written documentation as evidence of student enrollments, student transfers, suspensions, expulsions, exit conferences and student enrollment in other school corporations, the work place, and/or military service.

The Guidance Director created necessary documentation for the recording and reporting for compliance. The documentation is reviewed by the High School Principal to verify their agreement with the reports being completed.

Status of Audit Finding: Completed June 30, 2019

(Signature)

Business Manager / Treasurer

(Title)

December 20, 2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2019 - 001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer

Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Seymour Community Schools will design and implement a proper system of internal control to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: July 31, 2020



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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2019-002

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

Federal Agency: Department of Education

Federal Program: Special Education Cluster (IDEA)

CFDA Number: 84.027, 84.173

Federal Award Numbers and Years): 14217-091-PN01, 18611-091-PN01, 19611-091-PN01, 18619-091-PN01, 19619-091-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Procurement, Suspension, and Debarment

Audit Finding: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer

Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Seymour Community Schools will establish an effective internal control system, which would include segregation of duties in order to ensure compliance with requirements related to the grant agreement and the Procurement Suspension and Debarment compliance requirement.

Seymour Community Schools will have a control system in place to ensure compliance with the Procurement compliance requirements.

Seymour Community Schools will obtain price or rate quotations from an adequate number of qualified sources, and full and open competition will be used for purchases that fell within the small purchases requirement. Documentation will be maintained to show that consideration was given to the reasonableness of prices of purchases made, and full and open competition was provided for purchases that fell within the micro-purchases requirement.

Seymour Community Schools will establish a control system to ensure compliance with the Suspension and Debarment compliance requirements.

Anticipated Completion Date: June 30, 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/>.