

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH 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>
Executive Director of Business Services/Treasurer	(Vacant) Jerry Hawkins	07-01-17 to 08-31-17 09-01-17 to 06-30-20
Superintendent of Schools	Dr. Jerry L. Thacker	07-01-17 to 06-30-24
President of the School Board	Gary Fox Christopher Riley	01-01-17 to 12-31-17 01-01-18 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 PENN-HARRIS-MADISON SCHOOL  
CORPORATION, ST. JOSEPH 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 Penn-Harris-Madison 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 26, 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 items 2019-001 and 2019-002, that we consider to be material weaknesses.

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***

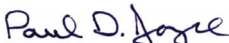
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2019-002.

***Penn-Harris-Madison 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 26, 2020



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

### **Report on Compliance for Each Major Federal Program**

We have audited the Penn-Harris-Madison 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. Except as discussed below, 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.

### ***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in item 2019-008 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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)

***Qualified Opinion on Special Education Cluster (IDEA)***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, 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 Special Education Cluster (IDEA) for the period of July 1, 2017 to June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 and 2019-005. 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.

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)

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 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, and 2019-008, 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.

**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 26, 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*  
Paul D. Joyce, CPA  
State Examiner

February 26, 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.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2018	\$ -	\$ 269,553	\$ -	\$ -
School Breakfast Program			FY 2019	-	-	-	262,779
Total - School Breakfast Program				-	269,553	-	262,779
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2018	-	1,444,331	-	-
Commodities			FY 2019	-	-	-	1,422,170
				-	304,742	-	309,196
Total - National School Lunch Program				-	1,749,073	-	1,731,366
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY 2018	-	104,019	-	-
Summer Food Service Program for Children			FY 2019	-	-	-	63,848
Total - Summer Food Service Program for Children				-	104,019	-	63,848
Total - Child Nutrition Cluster				-	2,122,645	-	2,057,993
Total - Department of Agriculture				-	2,122,645	-	2,057,993
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Exceptional Education (611) 2017	Indiana Department of Education	84.027	14217-134-PN01	-	593,541	-	-
Exceptional Education (611) 2018			18611-134-PN01	-	1,043,877	-	1,237,039
Exceptional Education (611) 2019			19611-134-PN01	-	-	-	886,928
Total - Special Education Grants to States				-	1,637,418	-	2,123,967
Special Education Preschool Grants							
Exceptional Education (619) 2017	Indiana Department of Education	84.173	45717-134-PN01	-	1,975	-	127
Exceptional Education (619) 2018			18619-134-PN01	-	43,773	-	29,478
Exceptional Education (619) 2019			19619-134-PN01	-	-	-	37,174
Total - Special Education Preschool Grants				-	45,748	-	66,779
Total - Special Education Cluster (IDEA)				-	1,683,166	-	2,190,746

PENN-HARRIS-MADISON SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A160014	-	154,617	-	-
Title I			S010A170014	-	882,840	-	162,259
Title I			S010A180014	-	-	-	804,124
Total - Title I Grants to Local Educational Agencies				-	1,037,457	-	966,383
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01116-083-PN01	-	12,361	-	-
Title III			01117-080-PN01	-	19,640	-	7,736
Title III			01118-079-PN01	-	20,120	-	18,577
Title III			01119-080-PN01	-	-	-	32,286
Total - English Language Acquisition State Grants				-	52,121	-	58,599
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II eLearning Conference Grant 2017			S367A160013	-	10,149	-	-
Title IIA			S367A160013	-	109,676	-	3,156
Title IIA			S367A170013	-	77,471	-	136,511
Title IIA			S367A180013	-	-	-	124,683
Total - Supporting Effective Instruction State Grants				-	197,296	-	264,350
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A180015	-	-	-	57,840
Total - Department of Education				-	2,970,040	-	3,537,918
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Reimbursement			7175	-	127,725	-	-
Medicaid Reimbursement			7175	-	-	-	259,127
Total - Medical Assistance Program				-	127,725	-	259,127
Total - Medicaid Cluster				-	127,725	-	259,127
Total - Department of Health and Human Services				-	127,725	-	259,127
Total federal awards expended				\$ -	\$ 5,220,410	\$ -	\$ 5,855,038

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

PENN-HARRIS-MADISON 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.

PENN-HARRIS-MADISON 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>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Qualified
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
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**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal controls or separated incompatible activities related to payroll withholdings. There was no process in place at the School Corporation to review the accuracy and propriety of payroll withholdings, deductions, and benefits retained from employees' wages and the corresponding payments to vendors.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

*Criteria*

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

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

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

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

*Cause*

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

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

*Auditor's Response*

It was the School Corporation's responsibility to ensure that internal controls were designed to ensure compliance with applicable laws and regulations. The School Corporation failed to provide documented controls of payroll benefits paid to vendors. The vendor payments reviewed were totals that did not contain adequate details to ensure that amounts recorded were accurate.

**FINDING 2019-002**

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following errors:

1. Expenditures of \$14,424 and \$31,006 for years ended June 30, 2018 and 2019, respectively, were incorrectly reported as Child and Adult Care Food Program when they should have been reported as National School Lunch Program.
2. The National School Lunch Program expenditures were understated by \$65,742 for the year ended June 30, 2018, and overstated by \$1,126,158 for the year ended June 30, 2019.
3. The School Breakfast Program expenditures were understated by \$7,304 for the year ended June 30, 2018, and overstated by \$44,758 for the year ended June 30, 2019.
4. The Summer Food Service Program for Children expenditures were overstated by \$58,622 for the year ended June 30, 2018.
5. The Supporting Effective Instruction State Grants expenditures were overstated by \$8,967 for the year ended June 30, 2019.
6. One federal program did not have the correct cluster title; two federal programs did not have the correct program title; and one federal program did not have the correct identifying number.

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. . . .

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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:

- (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."

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

Without a proper system of internal controls 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.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-003**

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2018, FY 2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost  
Principles, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

There were no controls in place to ensure that payroll benefits paid from the School Lunch fund were for employees working within that program. Payroll benefits were paid without an oversight, review, or approval process, or other compensating control.

*Special Tests and Provisions - Verification of Free and Reduced Lunch Applications (NSLP)  
(School Breakfast Program and National School Lunch Program only)*

There were no controls in place to ensure that verifications of eligibility determinations for free and reduced price meals were accurate for fiscal year 2017-2018. There was no review of the 2017-2018 FSA Verification Summary Report. For 2018-2019, eligibility determinations and the FSA Verification Summary Report were reviewed by a knowledgeable person.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of controls was a systemic issue throughout the audit period related to Activities Allowed or Unallowed and Allowable Costs/Cost Principles. The lack of controls was an issue over Verification of Free and Reduced Price Applications (NSLP) for 2017-2018 only.

*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*

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

*Auditor's Response*

It was the School Corporation's responsibility to ensure that internal controls were designed to ensure compliance with applicable laws and regulations. The School Corporation failed to provide documented controls of payroll benefits paid to vendors. The vendor payments reviewed were totals that did not contain adequate details to ensure that amounts recorded were accurate.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

***FINDING 2019-004***

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): FY 2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-006.

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund's monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. A review of balances were conducted, but were ineffective in monitoring the cash balances for fiscal year 2017-2018.

The School Corporation did not comply with the cash management requirement that they limit cash balances (net cash resources) to three months average expenditures for 2017-2018. The School Corporation implemented a School Lunch Capital Spending Plan to comply with the cash management requirements beginning with 2018-2019.

The lack of controls was a systemic issue for 2017-2018. The cash balances (net cash resources) in the School Lunch fund exceeded the three months average expenditures for all 24 months of the audit period; however, the School Corporation properly implemented a School Lunch Capital Spending Plan for 2018-2019.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

PENN-HARRIS-MADISON 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). . . ."

7 CFR 210.14(b) states: "Net cash resources. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)"

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

*Auditor's Response*

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance, which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2019-005**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): FY 2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-008.

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established an effective internal control system for fiscal year 2017-2018 to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not ensure that vendors were not suspended or debarred from participation in federal programs.

During 2018-2019, the School Corporation required vendors to sign a form stating they were not suspended or debarred when they submitted their bids for foods and services. The School Board reviewed these bids.

The lack of controls and noncompliance were only applicable to 2017-2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

You do this by:

- (a) Checking 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 would have ensured compliance with the suspension and debarment requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply 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.

*Auditor's Response*

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance, which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

**FINDING 2019-006**

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): S010A160014, S010A170014,  
S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

There were no controls in place to ensure that payroll benefits paid from the Title I Grants to Local Educational Agencies funds were for employees working within those programs. Payroll benefits were paid without an oversight, review, or approval process, or other compensating control.

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*

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements listed above and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Auditor's Response*

It was the School Corporation's responsibility to ensure that internal controls were designed to ensure compliance with applicable laws and regulations. The School Corporation failed to provide documented controls of payroll benefits paid to vendors. The vendor payments reviewed were totals that did not contain adequate details to ensure that amounts recorded were accurate.

**FINDING 2019-007**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

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): S010A160014, S010A170014, S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

For the students removed from the High School cohort graduation rate for mobility reasons there must be written documentation that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased. One person entered mobility codes into the system without an oversight, review, or approval process, or other compensating control.

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). . . ."

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls to ensure compliance with the compliance requirement listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2019-008**

Subject: Special Education Cluster (IDEA) - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

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): 14217-134-PN01, 18611-134-PN01,  
19611-134-PN01, 45717-134-PN01,  
18619-134-PN01, 19619-134-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

There were no controls in place to ensure that payroll benefits paid from the Special Education funds were for employees working within those programs. Payroll benefits were paid without an oversight, review, or approval process, or other compensating control.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

There were no controls in place to ensure that only Special Education employees were paid from those funds. The School Corporation did not present for audit supporting documentation to verify that all employees paid were allowed to be paid from Special Education funds. Documentation used by the School Corporation to prepare payroll did not correlate with the actual amounts paid to employees.

The following disbursements charged to Special Education funds did not comply with the Allowable Costs/Cost Principles compliance requirements:

1. Two Educational Assistants were split funded 25-50 percent between the Education fund and the Special Education Grant to States program. Supporting documentation of personnel time documented that the employees worked 100 percent of their time on the Special Education Grants to States.
2. Six Educational Assistants were paid 100 percent from either Special Education Grants to States or Special Education Preschool Grants funds. The School Corporation did not present documentation of personnel time worked for either Special Education program. This resulted in known questioned costs of \$63,947 during the audit period.

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Indiana Department of Education Onsite Fiscal Monitoring Document - Monitoring Topic 1- Compliance with compensation for personnel services requirements, page 2 states:

"Show evidence that personnel in 'split-funded' positions maintain Program Activity Reports (PAR)/Time and Effort logs and evidence that personnel paid 100% with federal funds complete accurate and timely 'Semi-Annual Certification' forms."

*Cause*

Management had not developed a system of internal controls that would have ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principals compliance requirements.

*Effect*

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

*Questioned Costs*

Known questioned costs of \$63,947 were identified as detailed in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

*Auditor's Response*

It was the School Corporation's responsibility to ensure that internal controls were designed to ensure compliance with applicable laws and regulations. The School Corporation failed to provide documented controls of payroll benefits paid to vendors. The vendor payments reviewed were totals that did not contain adequate details to ensure that amounts recorded were accurate.

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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: 2017  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Jerry Hawkins  
Contact Phone Number: 574-258-9591

Status of Audit Finding: Completed.

### ***FINDING 2017-002***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kevin McMillen  
Contact Phone Number: 574-254-2816

Status of Audit Finding: Completed.

### ***FINDING 2017-003***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kevin McMillen  
Contact Phone Number: 574-254-2816

Status of Audit Finding: Still in Progress.

### ***FINDING 2017-004***

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Gena Todd  
Contact Phone Number: 574-968-9600

Status of Audit Finding: Completed.



55900 Bittersweet Rd. | Mishawaka, IN 46545 | 574.259.7941

***FINDING 2017-005***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Jill Riggs  
Contact Phone Number: 574-254-2814

Status of Audit Finding: Completed.

***FINDING 2017-006***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Jill Riggs  
Contact Phone Number: 574-254-2814

Status of Audit Finding: Still in Progress.

***FINDING 2017-007***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Jill Riggs  
Contact Phone Number: 574-254-2814

Status of Audit Finding: Completed.

***FINDING 2017-008***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Jill Riggs  
Contact Phone Number: 574-254-2814

Status of Audit Finding: Completed.



CORRECTIVE ACTION PLAN

**FINDING 2019-001**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

Views of Responsible Official: We disagree with the finding

Description of Corrective Action Plan: We will review the details of a benefit vendor payment during each payroll-processing period.

Anticipated Completion Date: March 31, 2020

Jerry D Hawkins  
(Signature)

Eric Du Bois Goes  
(Title)

2-25-20  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2019-002**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: We will review the details of the SEFA before submitting.

Anticipated Completion Date: August 31, 2020

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CORRECTIVE ACTION PLAN

**FINDING 2019-003**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

Views of Responsible Official: We disagree with the finding

Description of Corrective Action Plan: 1. We will review the details of a benefit vendor payment during each payroll-processing period. 2. The review of the FSA Verification Summary Report was corrected after the August 2018 audit and we have continued the process.

Anticipated Completion Date: March 31, 2020

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CORRECTIVE ACTION PLAN

**FINDING 2019-004**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding of cash balances exceeding three months average expenditures for 2017-2018. We disagree with this being a repeat finding since a plan was in place and followed after the completion of the last audit.

Description of Corrective Action Plan: PHM has established and implemented a spending plan to reduce the cash balance of the Child Nutrition Fund. Each year the plan will be updated by the Food Service Director and reviewed by the Business Office.

Anticipated Completion Date: Already completed

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CORRECTIVE ACTION PLAN

**FINDING 2019-005**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

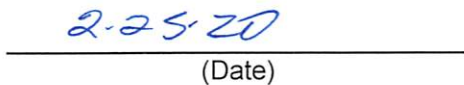
Views of Responsible Official: We disagree with the finding

Description of Corrective Action Plan: The Suspension and Debarment requirements for vendors were met after the August 2018 audit. This process continues and no further changes are needed.

Anticipated Completion Date: Already completed

  
(Signature)

  
(Title)

  
(Date)

CORRECTIVE ACTION PLAN

**FINDING 2019-006**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591


Views of Responsible Official: We disagree with the finding

Description of Corrective Action Plan: We will review the details of a benefit vendor payment during each payroll-processing period.

Anticipated Completion Date: March 31, 2020

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CORRECTIVE ACTION PLAN

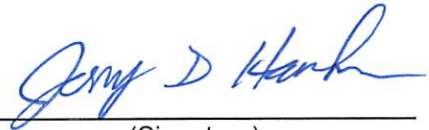
**FINDING 2019-007**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding that the review was not documented. We disagree that the finding is considered a repeat finding.

Description of Corrective Action Plan: We will have a second person document their review of student withdrawals at Penn High School.

Anticipated Completion Date: March 31, 2020



(Signature)



(Title)



(Date)

CORRECTIVE ACTION PLAN

**FINDING 2019-008**

Contact Person Responsible for Corrective Action: Jerry D. Hawkins  
Contact Phone Number: 574-258-9591

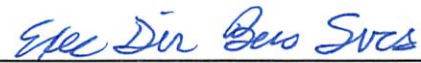
Views of Responsible Official: We disagree with the finding related to the benefit vendor payment. We concur with the finding related to the Allowable Costs/Cost Principles compliance.

Description of Corrective Action Plan: 1. We will review the details of a benefit vendor payment during each payroll-processing period. 2 & 3. The Time & Effort Logs as well as the Semi-Annual Certifications will be reviewed periodically throughout the grant cycle.

Anticipated Completion Date: March 31, 2020



(Signature)



(Title)



(Date)

## OTHER REPORTS

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