

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/25/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bryce Welsh Deborah M. Pavey	07-01-17 to 08-31-19 09-01-19 to 06-30-20
Superintendent of Schools	Matt Vance	07-01-17 to 06-30-21
President of the School Board	Dr. Steve Sickbert Tammy Jackman Michael Beard Doug Marlow	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH 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 Rush County Schools (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 January 21, 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

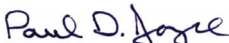
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Rush County Schools' 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

January 21, 2020, except for the Schedule of Expenditures of
Federal Awards, for which the date is March 9, 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 RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Rush County Schools' (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 Title I Grants to Local Educational Agencies

As described in item 2019-012 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the 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)

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2019-006 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Child Nutrition Cluster that are applicable to its Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2019-009 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

As described in item 2019-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Special Education Cluster (IDEA) that are applicable to its Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* 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 Title I Grants to Local Educational Agencies for the period of July 1, 2017 to June 30, 2019.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking, and except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraphs, 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 its Special Education Cluster (IDEA) 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, 2019-005, and 2019-007. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, and 2019-012, that we consider to be material weaknesses.


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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 21, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

March 9, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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RUSH COUNTY SCHOOLS
 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	FY 17-18, FY 18-19	\$ -	\$ 131,903	\$ -	\$ 158,200
National School Lunch Program Commodities	Indiana Department of Education	10.555	FY 17-18, FY 18-19 FY 17-18, FY 18-19	- -	557,390 125,979	- -	624,465 115,382
Total - National School Lunch Program				-	683,369	-	739,847
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 17-18, FY 18-19	-	40,448	-	29,199
Total - Child Nutrition Cluster				-	855,720	-	927,246
Total - Department of Agriculture				-	855,720	-	927,246
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	700S010A160014 700S010A170014 700S010A180014	- - -	151,982 289,195 -	- - -	- 119,320 279,058
Total - Title I Grants to Local Educational Agencies				-	441,177	-	398,378
Special Education Cluster (IDEA) Special Education Grants to States	Indiana Department of Education	84.027	14217-117-PN01 18611-117-PN01 19611-117-PN01	- - -	245,115 - -	- - -	- 580,037 424,256
Total - Special Education Grants to States				-	245,115	-	1,004,293
Special Education Preschool Grants	Indiana Department of Education	84.173	45716-117-PN01 45717-117-PN01	- -	19,628 -	- -	- 20,111
Total - Special Education Preschool Grants				-	19,628	-	20,111
Total - Special Education Cluster (IDEA)				-	264,743	-	1,024,404
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A150013 S367A160013 S367A170013	- - -	86,877 31,808 -	- - -	- 196 34,463
Total - Supporting Effective Instruction State Grants				-	118,685	-	34,659
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424	S424A180015	-	-	-	4,862
Total - Department of Education				-	824,605	-	1,462,303
<u>Department of Health and Human Services</u>							
Opioid STR	Indiana Department of Education	93.788	A58919OT5745	-	-	-	44,302
Total - Department of Health and Human Services				-	-	-	44,302
Total federal awards expended				\$ -	\$ 1,680,325	\$ -	\$ 2,433,851

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

RUSH COUNTY SCHOOLS
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 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.

RUSH COUNTY SCHOOLS
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Qualified
	Title I Grants to Local Educational Agencies	Qualified
	Special Education Cluster (IDEA)	Qualified

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: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation did not have a proper system of internal control related to payroll disbursements and cash and investments.

Payroll Disbursements

The Deputy Treasurer entered payroll disbursement information into the accounting system. There were no documented controls in place, such as an oversight, review, or approval process to ensure the accuracy of the information entered.

Cash and Investments

The Corporation Treasurer performed the monthly bank reconciliations. Contained in the monthly bank reconciliation files were cleared transaction reports, outstanding transaction reports, and the bank statements. The bank statements were initialed by the Deputy Treasurer. However, the Deputy Treasurer was not provided with a documented comparison between the adjusted bank balances and the funds ledger balance, which would be needed in order for the reviewer to detect errors.

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

Criteria

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

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

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

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

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

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish controls could have enabled material 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.

FINDING 2019-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

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 School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The federal award information was entered into Gateway without a control process in place to ensure its accuracy before submission. One official was responsible for gathering and entering the information into Gateway without oversight or review.

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$166,481 and overstated by \$553,210 for the periods ending June 30, 2018 and 2019, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$264,743 and \$20,111 for the periods ending June 30, 2018 and 2019, respectively.
3. The Special Education Cluster (IDEA) amounts passed to subrecipients was overstated by \$20,901 for the period ending June 30, 2019.
4. The Title I Grants to Local Educational Agencies expenditures were understated by \$134,155 and \$398,378 for the periods ending June 30, 2018 and 2019, respectively.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

5. The Supporting Effective Instruction State Grants expenditures were understated by \$118,685 and overstated by \$397,468 for the periods ending June 30, 2018 and 2019, respectively.
6. The Supporting Effective Instruction State Grants amounts passed to subrecipients was overstated by \$22,342 for the period ending June 30, 2019.
7. The Student Support and Academic Enrichment Program expenditures were understated by \$4,862 for the period ending June 30, 2019.
8. The Opioid STR grant expenditures were understated by \$44,302 for the period ending June 30, 2019.
9. Not all CFDA numbers, program names, grants, and identifying numbers were correct or reported.

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. . . ."

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within 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 had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 17-18, FY 18-19

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), Special Tests and Provisions -
School Food Accounts, Special Tests and Provisions -
Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number over Activities Allowed or Unallowed and Allowable Costs/Cost Principles was 2017-007. The prior audit finding number over Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity was 2017-009.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements were only for Child Nutrition Cluster program costs. Amounts charged to the grant program as recorded in the ledger were not properly reviewed by management to ensure that they were for activities allowable, and were in accordance with allowable costs/cost principles.

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

Each school building secretary was responsible for completing the verification at their building and the Director of Finance was responsible for preparing and submitting the summary report for the entire School Corporation. There was no documented oversight or review process, or other compensating control, to ensure that verifications were accurate.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - School Food Accounts

One person was primarily responsible for the receipting process of the School Lunch fund. There were no controls in place to ensure timely receipt of federal program revenues.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

One individual completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

The lack of controls was a systemic issue, which occurred 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 control that would have ensured 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, 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.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19
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 report. The prior audit finding number was 2017-008.

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 Cash Management compliance requirement.

The School Corporation failed to comply with the cash management requirements that they limit their net cash resources in the School Lunch fund to 3 months average expenditures of the food service program. The School Corporation maintained excessive net cash resources in 100 percent of the months tested. The School Corporation had not developed a process to analyze and monitor the balances of the School Lunch fund.

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 220.7(e) states in part:

". . . the School Food Authority 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; . . ."

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)."

Cause

Management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-005

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-009.

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented policies and procedures to ensure that it had complied with the eligibility requirements regarding the notification of the household's eligibility. Officials were unable to provide evidence that parents/guardians were notified of their children's eligibility for benefits for 18 of 40 applicants tested.

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

7 CFR 245.6(c)(6) states in part: "*Notice of approval*—(i) *Income applications*. The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household. . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-006

Subject: Child Nutrition Cluster - Procurement and 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 Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-010.

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

Simplified Acquisition

The School Corporation did not have an effective internal control system in place to ensure that the bidding process was adequate and utilized for vendors who met the simplified acquisition threshold. Supporting documentation for the rationale behind the selection of a vendor was not retained by the School Corporation for fiscal year 2017-2018. In 2018-2019 an Educational Service Center was utilized for procurement and controls for the Education Service Center were adequate.

Small Purchases

The School Corporation did not have an effective internal control system in place to ensure that an adequate number of price or rate quotations were obtained for vendors who met the small purchases threshold. Supporting documentation for the rationale behind the selection of a vendor was not retained by the School Corporation.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Micro-Purchases

The School Corporation did not have an effective internal control system in place to ensure that for the purchases that met the micro-purchases threshold, they had a rationale behind the selection of the vendors, and that all supporting documentation for the rationale was retained.

Suspension and Debarment

The School Corporation did not maintain proper records to verify suspension and debarment. The School Corporation did not inquire or maintain records that addressed the suspension and debarment requirement for all vendors over the \$25,000 threshold for 2017-2018 and 2018-2019, with the exception of the vendors procured by the Educational Service Center for 2018-2019.

The lack of internal controls and noncompliance were systemic issues, which occurred 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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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 control that would have ensured compliance with the compliance requirement listed above.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-007

Subject: Child Nutrition Cluster - Program Income
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 17-18, FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-009.

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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate controls to ensure program income was correctly recorded. In testing the receipting of school food service funds from the Extra-curricular Accounts (ECA) to the School Corporation's School Lunch fund, there were differences between amounts transferred from the ECA and the amounts recorded in the School Lunch fund. As a result, the program income recorded did not accurately reflect the total income for meals served.

The School Corporation had not separated incompatible activities related to the assessment and recording of program income. There were no control procedures in place to ensure that the proper meal prices were being charged or that program income was properly recorded in the School Lunch fund. In some instances, the School Corporation did not charge approved prices as outlined in the paper handbook.

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.302(b) states in part:

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

- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(e) states in part: *"Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph. . . ."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

7 CFR 225.6(e) states in part:

"State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

- (12) Maintain a financial management system as prescribed by the State agency; . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

Effect

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-008

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14217-117-PN01, 18611-117-PN01,
19611-117-PN01, 45716-117-PN01,
45717-117-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements were only for special education program costs. Amounts charged to the grant program as recorded in the ledger were not properly reviewed by management to ensure that they were for activities allowable, were in accordance with allowable costs/cost principles, and were within the period of performance.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

RUSH COUNTY SCHOOLS
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). . . ."

Cause

Management had not developed a system of internal control that would have ensured 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, 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.

FINDING 2019-009

Subject: Special Education Cluster (IDEA) - Level of Effort, Earmarking

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-117-PN01, 18611-117-PN01,
19611-117-PN01, 45716-117-PN01,
45717-117-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Matching, Level of Effort, Earmarking compliance requirement.

Level of Effort - Maintenance of Effort

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the expenditure amounts reported on the grant application used to calculate the level of effort component were accurate. The School Corporation reported state and local expenditures for the audit period that could not be substantiated with supporting documentation; therefore, we were unable to substantiate the expenses reported for maintenance of effort.

Earmarking (Internal Control only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the earmarking requirement was met. There was no oversight or review of amounts earmarked and expended on behalf of the non-public school.

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

34 CFR 300.203(b) states:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

Effect

The failure to provide the supporting documentation used to determine the maintenance of effort prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-010

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): 14217-117-PN01, 18611-117-PN01,
19611-117-PN01, 45716-117-PN01,
45717-117-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

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 comply with the procurement requirements for micro-purchases and small purchases during the audit period. The School Corporation purchased goods without the appropriate procurement procedures in place.

Small Purchases

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 for fiscal year 2017-2018 and \$10,000 for 2018-2019, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Micro-Purchase

The School Corporation did not have procedures in place to ensure that micro-purchases were distributed equitably among qualified suppliers for purchases less than \$3,500 for 2017-2018 and \$10,000 for 2018-2019.

Suspension and Debarment

The School Corporation had no controls in place to ensure vendors were not suspended or debarred from participation in the federal program. There was no evidence presented for audit that the School Corporation checked SAM exclusions, collected a certification, or included a clause or condition in the contract for the one vendor tested.

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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 control that would have ensured compliance with the compliance requirement listed above.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-011

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): 700S010A160014, 700S010A170014,
700S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Eligibility, Reporting, Special Tests and Provisions - Participation
of Private School Children, Special Tests and Provisions -
Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding for Eligibility and Reporting from the immediately prior audit report. The prior audit finding number was 2017-003.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Participation of Private School Children, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Activities Allowable or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements were only for Title I program costs. Amounts charged to the program as recorded in the ledger were not properly reviewed by management to ensure that they were for activities allowable, and were in accordance with allowable costs/cost principles.

Eligibility

The October 1st Real Time Report of Pupil Enrollment (PE) was used by IDOE to pull data into the Title I application. These numbers were used to calculate Percent Poverty which was then used to rank schools for Title I eligibility. One person was primarily responsible for compiling and uploading student data, including poverty status, for Real Time reports. There was no control in place, such as an oversight, review, or approval process to ensure eligibility was properly determined.

Reporting

The School Corporation had not designed or implemented internal controls over payroll or vendor claims that would prevent or detect and correct noncompliance related to State Per Pupil Expenditure (SPPE) Reporting. One person was primarily responsible for preparing payroll and vendor claims. The School Board approved payroll claims in total without detail to determine the payee or the fund from which the payroll expenditure was being paid. The School Board also approved vendor claims without detail of the fund from which the expenditure was being paid. There was no control in place to ensure the SPPE report was accurate.

One person was responsible for completing the Final Annual Expenditure Report. There was no documentation of a control in place, such as an oversight, review, or approval process to ensure the report was accurate.

There were no controls over the Form 9 Transmittal Edit prior to submission of the Form 9 data. One person was responsible for preparing the financial data, transmitting the data from the accounting system to the Indiana Department of Education for Form 9 reporting, and submitting the Form 9 Report. There was no documentation of a control in place, such as an oversight, review, or approval process to ensure the report was accurate.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - Participation of Private School Children

The School Corporation had not established a system of internal control to ensure that Private School Children participating in the Title I program had received the services that the School Corporation planned to provide per their grant application.

Special Test and Provisions - Annual Report Card, High School Graduation Rate

One person was primarily responsible for compiling and uploading student data, including mobility codes, for Real Time reports. The School Corporation did not have effective controls over the Real Time reporting to ensure mobility codes were properly reported.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, 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.

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-012

Subject: Title I Grants to Local Educational Agencies - Level of Effort - Supplement not Supplant
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 700S010A160014, 700S010A170014,
700S010A180014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

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 Level of Effort - Supplement not Supplant requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation is required to provide each School Wide Program (SWP) school all of the non-Federal funds it would otherwise have received from the School Corporation if it were not operating a SWP. The School Corporation provided an explanation of the methodology used to ensure that each school received the non-Federal funds allocated to each school; however, they could not provide the calculation used to determine the allocation. The methodology, calculation, allocation and documentation that each school received the non-Federal funds it would otherwise have received from the School Corporation should be retained for audit. Therefore, we were unable to test if the School Corporation provided the schools all of the non-Federal funds they would otherwise have received from the School Corporation if it were not operating a schoolwide program.

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

20 USC 6321(b)(1) states:

"A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds."

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal control to ensure compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to provide the calculation used to determine the allocation prevented the determination of the School Corporation's compliance with the level of effort - supplement not supplant requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

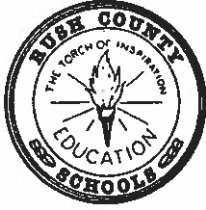
We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2011-2012

Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer
Contact Phone Number: 765 932-4186

Status of Audit Finding:

No changes have been made on this finding. Mr. Welsh was the Director of Finance during this audit period. He designed a plan which was not put into place. Now that he has left employment with Rush County Schools, a new plan will be implemented.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

January 9, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017

Contact Person Responsible for Corrective Action: Deborah M. Pavey

Contact Phone Number: (765) 932-4186

Status of Audit Finding:

Lack of Segregation of Duties Over Cash & Investments and Receipts: There were controls implemented for the financial transactions and reporting. The receipt process begins with the initiation of the receipt and deposit slip created by the payroll clerk. The Deputy Treasurer signs off on the deposit before it is taken to the bank. The monies are deposited by the payroll clerk and subsequently recorded in the accounting software by the Deputy Treasurer. In addition, the Director of Finance began having the Deputy Treasurer sign the Bank Statements at the end of the month. Beginning immediately we plan to formalize the bank reconciliation to make it more clear that the Deputy Treasurer has reviewed that the bank balance is in agreement with the fund report.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

The former Director of Finance did not implement controls to correct these issues. A new plan will be implemented.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

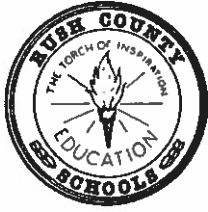
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

Some of the Semi-Annual Certifications for the IDEA were completed for the 2018-2019 school year. However, we are still not at 100%. Efforts will be made by the Director of Differentiated Learning to complete all the certifications for Special Education and have all the applicable employees sign them.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

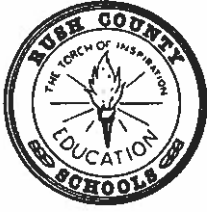
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

Some improvements have been made in the compliance of requirements to the grant agreement and the Level of Effort compliance requirement. Improvements will continue to be made.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

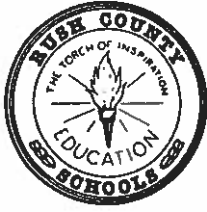
Contact Phone Number: 765 932-4186

Status of Audit Finding:

The former Director of Finance did not implement controls to correct these issues.

Reimbursements that have been filed still do not match with School Corporation's records. A new plan will be implemented.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

All requests to purchase are now signed by the Superintendent and the treasurer to verify for accuracy. However, there is still a need for more internal controls to be set up.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

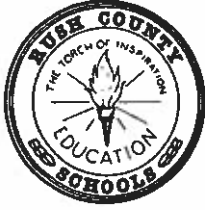
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

I have not found that the former Director of Finance had been doing the Cash management compliance requirement. We will begin completing the Cash Management requirement and establish Internal Controls to ensure that the school lunch fund's net cash resources are below the three months' average expenditure threshold.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-009

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

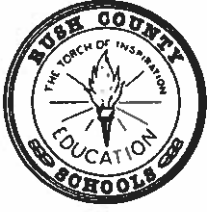
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

The former Director of Finance did not implement the controls needed to correct the issues. We will continue to increase the internal control process.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-010

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

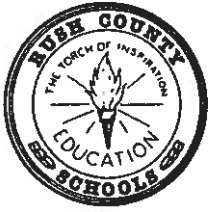
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

The former Director of Finance did not implement the controls needed to correct the issues. A new plan will be implemented.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-011

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

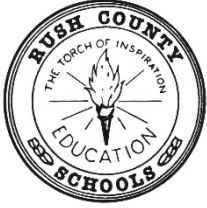
Contact Person Responsible for Corrective Action: Deborah Pavey, Treasurer

Contact Phone Number: 765 932-4186

Status of Audit Finding:

Some improvements have been made in the compliance of requirements. However, there are additional improvements that need to be made.

Deborah M. Pavey
Treasurer



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

330 W. 8th Street, Rushville, IN 46173

765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Deborah M. Pavey
Contact Phone Number: (765) 932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Payroll Disbursements:

Effective immediately, all employees in the accounting department will enter payroll disbursement information into the accounting system. When entry is complete, the Treasurer will check the trial journal and distribution report. The Deputy Treasurer will check the deduction report. Both will sign off that they are correct before payroll is processed. A Detailed Payroll Claim Listing will be presented to the Board.

Cash and Investments:

Effective immediately, the payroll clerk will process the deposit and prepare the deposit slip. The Treasurer or Deputy Treasurer will sign off on the deposit before it is taken to the bank. The monies are deposited by the payroll clerk and subsequently recorded in the accounting software by the Deputy Treasurer. The Treasurer will present to the Deputy Treasurer the Bank Statement, the Komputrol Bank Statement, and the Fund Report at the end of each month. After verifying that all balance, the Deputy Treasurer will sign off on all three documents.

Anticipated Completion Date: March 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Deborah Pavay
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

There will be many internal controls added to the SEFA accounts. Monthly expenditure, receipt, and fund reports will be checked on a monthly basis. There will be meetings held quarterly with the directors of the SEFA programs to go over these reports. This will help with the accuracy for entering into the Indiana Gateway financial reporting system. The yearly report will be verified with the director before it is entered into Gateway by the treasurer.

Anticipated Completion Date: April 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be put into place to ensure compliance of the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions – School Food Accounts, Special Tests and Provisions – Paid Lunch Equity. Disbursements will be monitored to ensure they are only for the Child Nutrition program. Monthly distribution and expenditure reports will be checked on a monthly basis to determine if expenditures are being paid from the correct fund. Each school secretary is responsible for completing the Free and Reduced Price Applications verification at their building and the Food Service Coordinator will now verify eligibility. The paid lunch equity calculation will now be verified by two people.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Deborah Pavvey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system will be put into place to ensure compliance of the grant agreement and the Cash Management compliance requirement. A plan will be developed to analyze and monitor the balances of the School Lunch fund. The Food Service Coordinator and the Treasurer will work together on this plan.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system will be put into place to ensure compliance of the grant agreement and Eligibility compliance requirement. A copy of the notification of the household's eligibility letter sent to the parents/guardians will now be kept on file.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-006

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be set into place for the Child Nutrition Procurement and Suspension and Debarment requirements. Simplified Acquisitions will now go through the bidding process for vendors who meet the simplified acquisition threshold. The rationale behind the selection of a vendor will be retained by the Food Service Coordinator. Price or rate quotes will be obtained from three sources for small purchases of goods. For micro-purchases, the rationale behind the selection of the vendors and all supporting documentation for the rationale will be retained. The SAM system will now be checked for suspension and debarment of vendors over the \$25,000 threshold and will print off the findings and keep in a folder or binder.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-007

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control has now been set up to better implement adequate controls to ensure program income is correctly recorded. An 8400 fund has now been set up and all school lunch funds from the schools will be deposited into this fund. All school lunch funds from the schools will be sent to corporation office the last day of the month and receipted into the 8400 fund. The schools will also send in their prepaid student account listings.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-008

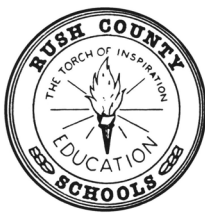
Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system will be put into place to ensure compliance of the grant agreement. Disbursements will be monitored to ensure they are only for the Special Education program costs and are allowable costs. Monthly distribution and expenditure reports will be checked on a monthly basis to determine if expenditures are being paid from the correct fund. The treasurer will schedule meetings quarterly with the Special Education director to go over these reports to verify that the information is correct and that the grant is being followed. This will help to ensure the activities are allowed, costs are allowed, and the Period of Performance meets the grant requirements

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-009

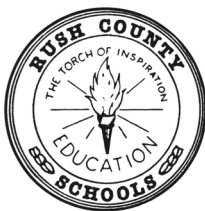
Contact Person Responsible for Corrective Action: Deborah Pavvey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer and Director of Special Education will work together to implement an adequate internal control policy for the Matching, Level of Effort, Earmarking compliance requirement. Making sure that amounts earmarked and expended for the non-public school meet compliance with the requirements related to the grant agreement.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-010

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An internal control system will be set into place for the Special Education procurement requirements. Price or rate quotes will be obtained from three sources for small purchases of goods. For micro-purchases, they will distribute equitably among qualified suppliers. The SAM system will now be checked for suspension and debarment of vendors and will print off the findings and keep in a folder or binder.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-011

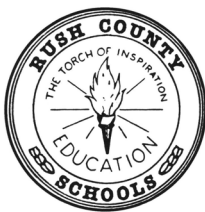
Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system will be put into place to ensure compliance of the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions – Participation of Private School Children, Special Tests and Provisions – Annual Report Card, High School Graduation Rate. Disbursements will be monitored to ensure they are only for the Title I program costs and are allowable costs. Monthly distribution and payroll reports will be checked on a monthly basis to determine if expenditures are being paid from the correct fund. This will help to ensure the State Per Pupil Expenditure Report is accurate. The treasurer will schedule meetings quarterly with the Title I director to go over these reports to verify that the information is correct and that the grant is being followed. This will also help with the accuracy for entering into the Gateway financial reporting system and verifying the Form 9 data. We will establish a system to verify the participation of the Private School Children in the Title I program and set up some internal controls for the Real Time reports.

Anticipated Completion Date: May 2020



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent
330 W. 8th Street, Rushville, IN 46173
765 932-4186

CORRECTIVE ACTION PLAN

FINDING 2019-012

Contact Person Responsible for Corrective Action: Deborah Pavey
Contact Phone Number: 765-932-4186

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer and Director of Title I will work together to implement an adequate internal control policy for the Level of Effort-Supplement not Supplant requirement of the Matching, Level of Effort, Earmarking compliance requirement. The methodology, calculation, allocation and documentation will be retained for audit.

Anticipated Completion Date: May 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/>.