

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAFAYETTE SCHOOL CORPORATION

TIPPECANOE 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	Eric L. Rody	07-01-17 to 06-30-20
Superintendent of Schools	Les L. Huddle	01-01-17 to 12-31-20
President of the School Board	Stephen J. Bultinck David R. Moulton Dr. Robert M. Stwalley, III	01-01-17 to 12-31-17 01-01-18 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 LAFAYETTE SCHOOL CORPORATION,
TIPPECANOE 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 Lafayette School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 28, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 28, 2020, except for the Schedule of Expenditures
of Federal Awards, for which the date is March 5, 2020



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

TO: THE OFFICIALS OF THE LAFAYETTE SCHOOL CORPORATION,
TIPPECANOE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, 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 28, 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 5, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY17-18	\$ -	\$ 1,133,773	\$ -	\$ -
School Breakfast Program			FY18-19	-	-	-	1,151,588
Total - School Breakfast Program				-	1,133,773	-	1,151,588
National School Lunch Program	Indiana Department of Education	10.555					
Snacks			17-18	-	14,540	-	-
School Snack Program			18-19	-	-	-	9,342
School Lunch			FY17-18	-	2,660,928	-	-
School Lunch Program			FY18-19	-	-	-	2,666,596
Commodities				-	343,682	-	393,705
Total - National School Lunch Program				-	3,019,150	-	3,069,643
Total - Child Nutrition Cluster				-	4,152,923	-	4,221,231
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			FY 18-19	-	-	-	61,357
Cooperative Extension Service	Purdue University	10.500					
CYFAR			15-16	-	30,027	-	-
CYFAR			16-17	-	56,811	-	-
CYFAR			16-17	-	-	-	8,503
CYFAR			17-18	-	-	-	37,072
Total - Cooperative Extension Service				-	86,838	-	45,575
Total - Department of Agriculture				-	4,239,761	-	4,328,163
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			14217-021-PN01	-	591,604	-	13,021
Special Education			18611-021-PN01	-	1,635,777	-	599,720
Special Education			19611-021-PN01	-	-	-	1,711,591
Total - Special Education Grants to States				-	2,227,381	-	2,324,332

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education			18619-021-PN01	-	85,894	-	21,557
Special Education			19619-021-PN01	-	-	-	84,003
Special Education			45717-021-PN01	-	25,097	-	-
Total - Special Education Preschool Grants				-	110,991	-	105,560
Total - Special Education Cluster (IDEA)				-	2,338,372	-	2,429,892
Adult Education-Basic Grants to States	Indiana Department Workforce Development	84.002					
Adult Education			AE6-109	84,722	366,083	-	-
Adult Education			AE7-109	-	531,168	-	258,293
Adult Education			AE8-109	-	-	-	563,122
Total - Adult Education-Basic Grants to States				84,722	897,251	-	821,415
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			17-7855	-	625,315	-	-
Title I School Improvement			18611-001-PN01 2018	-	-	-	12,500
Title I Part A			18-7855	-	1,737,812	-	574,802
Title I Part A			19-7855	-	-	-	1,747,672
Total - Title I Grants to Local Educational Agencies				-	2,363,127	-	2,334,974
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013					
Title I Part D			16-17	-	8,620	-	-
Title I Part D			17-18	-	6,619	-	10,204
Title I Part D			18611-001-PN01 2019	-	-	-	6,369
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	15,239	-	16,573
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
21st Century Learning			Cohort #7 Year 3	-	47,358	-	-
21st Century Learning			Cohort #7 Year 4	-	129,532	-	-
Total - Twenty First Century Community Learning Centers				-	176,890	-	-
Gaining Early Awareness and Readiness for Undergraduate Programs	Indiana Department of Education	84.334					
				-	5,446	-	2,830

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01116-088-PN01	-	24,573	-	-
Title III			01117-086-PN01	-	78,031	-	23,964
Title III			2017-2019	-	51,873	-	69,922
Title III			2018-2020	-	-	-	55,113
Total - English Language Acquisition Grants				-	154,477	-	148,999
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II-A			E-Learning FY2017	-	15,687	-	-
Title II-A			E-Learning FY2018	-	-	-	5,531
Title II Part A			FF2017	-	10,131	-	245,892
Title II-A			FY2015	-	137,725	-	-
Title II-A			FY2016	-	210,155	-	91,024
Total - Supporting Effective Instruction State Grants				-	373,698	-	342,447
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			18-19	-	-	-	17,826
Title IV Part A			2018-424-258	-	-	-	68,562
Total - Student Support and Academic Enrichment Grants				-	-	-	86,388
Total - Department of Education				84,722	6,324,500	-	6,183,518
<u>Department of Health and Human Services</u>							
Temporary Assistance for Needy Families	Indiana Department of Education	93.558		-	-	-	13,830
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid			16-17	-	131,688	-	-
Medicaid			18-19	-	-	-	156,171
Total - Medical Assistance Program				-	131,688	-	156,171
Total - Medicaid Cluster				-	131,688	-	156,171
Total - Department of Health and Human Services				-	131,688	-	170,001
Total federal awards expended				\$ 84,722	\$ 10,695,949	\$ -	\$ 10,681,682

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

LAFAYETTE SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is the fiscal agent for a special education cooperative. As a result, some activity presented as receipts and disbursements in the financial statement of the School Corporation for the Special Education Cluster (IDEA) is not presented as federal awards expended in the SEFA. This activity is reported on the financial statement of the other special education cooperative members.

LAFAYETTE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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
84.002	Child Nutrition Cluster	Unmodified
84.010	Adult Education-Basic Grants to States	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.367	Supporting Effective Instruction State Grants	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Child Nutrition Cluster - Internal Controls
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): FY17-18, FY18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment, Special Tests and Provisions
Verifications of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2017-002 and 2017-003.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement, and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Procurement

The School Corporation had not designed or implemented adequate internal controls to ensure that the proper procurement procedures were followed for small and micro-purchases. One individual was responsible for obtaining quotes and selecting vendors with no oversight or review of the vendor selected.

Special Tests and Provisions - Verifications of Free and Reduced Price Applications

The School Corporation had not designed or implemented adequate internal controls to ensure that the verifications of free and reduced price meal applications were accurate. One employee was responsible for performing the verifications with no oversight or review.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment and the Special Tests and Provisions - Verifications of Free and Reduced Price Applications (NSLP) compliance requirements.

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: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants

CFDA Numbers: 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 17-7855, 18-7855, 19-7855, FY2015, FY2016, FF2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

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

The School Corporation had not designed or implemented adequate internal controls to ensure that employees were paid only as their contract stipulated. One employee was paid for overtime worked, which was not included in the contract.

The lack of controls was a systemic issue throughout the audit period; the noncompliance was isolated to the payroll item noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were known questioned costs of \$34,873 related to Title I Grants to Local Educational Agencies, and \$21,021 related to Supporting Effective Instruction State Grants.

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

Lafayette School Corporation
Nurture Inspire Empower

2300 Cason Street Lafayette, IN 47904 Phone: (765) 771-6000 Fax: (765) 771-6049

January 28, 2020

State Board of Accounts
302 W. Washington Street, Rm E418
Indianapolis, IN 46204-2765

Re: Summary Schedule of Prior Audit Findings

Dear Sir or Madam:

Please allow this letter to serve as response to your request for a summary of prior audit findings.

FINDING 2017-001

Fiscal Year in which the finding initially occurred: 2014/15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Eric Rody
Contact Phone Number: 765-771-6000

Status of Audit Finding

Policy number D 1330 was created and adopted by our school board through normal board policy adopting procedures and adopted on July 11, 2016. Our procedures include all of the internal control procedures deemed necessary for creating the SEFA report. That report is created by the Accounting Specialist and then reviewed by the Supervisor of Business Services, with a final review by the Chief Financial Officer.

FINDING 2017-002

Fiscal Year in which the finding initially occurred: 2014/15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Eric Rody
Contact Phone Number: 765-771-6000

Status of Audit Finding

Senior management performs quarterly reviews of all major funds including the Food Service Fund. This step occurs after the Food Service Supervisor reviews the monthly billing and financial status of the Food Service fund. The senior management review now shows the initials of the senior managers on the forms they actually reviewed.

FINDING 2017-003

Fiscal Year in which the finding initially occurred: 2016/17

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

Contact Person Responsible for Corrective Action: Eric Rody

Contact Phone Number: 765-771-6000

Status of Audit Finding

Procedures are in place for the Food Service Management Company to obtain quotes for large and/or small purchases. Food Service Management companies are obtained by a school corporation through a federally directed RFP procedure and the companies are qualified for large and small purchases as a result of the RFP process as well.

FINDING 2017-004

Fiscal Year in which the finding initially occurred: 2016/17

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

Contact Person Responsible for Corrective Action: Eric Rody

Contact Phone Number: 765-771-6000

Status of Audit Finding

LSC's internal controls do explain procedures for obtaining three quotes. That procedure was not followed in this instance during the purchase of a very specific software for the ELL learning program. The reason that director did not follow the procedure was that she was told by the IDOE to use this specific software from a particular vendor. However, the procedure is in place in the future that three quotes will be attempted even though this software is proprietary to a particular vendor this specific ELL program.

We thank you for your review of our records and look forward to your comments to bring better accountability to our existing systems.

Sincerely,

Eric L. Rody

Eric L. Rody
Chief Financial Officer
(signed electronically)

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Lafayette School Corporation
Nurture Inspire Empower

2300 Cason Street Lafayette, IN 47904 Phone: (765) 771-6000 Fax: (765) 771-6049

March 5, 2020

Indiana State Board of Accounts
302 W. Washington Street, Rm E418
Indianapolis, IN 46204-2765

Re: Corrective Action Plan

The following information represents the Corrective Action Plan for Lafayette School Corporation resulting from the audit of State Board of Account for the period July 1, 2017 through June 30, 2019.

FINDING 2019-001

Contact Person Responsible for Corrective Action: Eric L. Rody
Contact Phone Number: 765-771-6065

Views of Responsible Official: We concur with the finding

Description of Corrective Action: Adequate review of the verification of Free and Reduced Price Application will be designated by a Lafayette School Corporation Official(s) with the assistance of the food service management company. As well, the same review process will be set up for review small and large purchases by a Lafayette School Corporation Official(s) as well.

Anticipated Completion Date: June 30, 2020

FINDING 2019-002

Contact Person Responsible for Corrective Action: Eric L. Rody
Contact Phone Number: 765-771-6065

Views of Responsible Official: We concur with the finding

Description of Corrective Action: A new contract structure for the individual will be designed thus eliminating any questioned costs.

Anticipated Completion Date: 2020-21 School Year

We trust that this memorandum will suffice your need for the previously mentioned Corrective Action Plan. If anything further is needed please feel free to contact us. Thank you very much.

Cc: Les Huddle, Superintendent
Deborah Speckman, Deputy Treasurer

[https://lafayetteschools-my.sharepoint.com/personal/erody_lsc_k12_in_us/documents/erics files/state board of accounts/audit december 2019/cap federal audit.doc](https://lafayetteschools-my.sharepoint.com/personal/erody_lsc_k12_in_us/documents/erics%20files/state%20board%20of%20accounts/audit%20december%202019/cap%20federal%20audit.doc)

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/>.