

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SALEM COMMUNITY SCHOOLS

WASHINGTON 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	Ruth D. Gilbert Rachel Weedin	07-01-17 to 08-31-18 09-01-18 to 06-30-20
Superintendent of Schools	Dr. D. Lynn Reed Kim A. Thurston, EdD (interim) Jon Acton	07-01-17 to 06-30-19 07-01-19 to 02-29-20 03-01-20 to 06-30-23
President of the School Board	Mark Abbott Rebecca L. White Rodney Brough	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 SALEM COMMUNITY SCHOOLS, WASHINGTON 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 Salem Community 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 February 27, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

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

Salem Community 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

February 27, 2020



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

TO: THE OFFICIALS OF THE SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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, and 2019-005, that we consider to be material weaknesses.


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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 27, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

February 27, 2020

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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.

SALEM COMMUNITY 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					
School Breakfast			FY2018	\$ -	\$ 101,593	\$ -	\$ -
School Breakfast			FY2019	-	-	-	108,218
				<u>-</u>	<u>101,593</u>	<u>-</u>	<u>108,218</u>
Total - School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY2018	-	479,613	-	-
School Lunch			FY2019	-	-	-	469,330
School Lunch-Commodities			FY2018	-	97,247	-	-
School Lunch-Commodities			FY2019	-	-	-	105,236
				<u>-</u>	<u>576,860</u>	<u>-</u>	<u>574,566</u>
Total - National School Lunch Program							
Total - Child Nutrition Cluster							
				<u>-</u>	<u>678,453</u>	<u>-</u>	<u>682,784</u>
Total - Department of Agriculture							
				<u>-</u>	<u>678,453</u>	<u>-</u>	<u>682,784</u>
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY17 Federal Special Education Part B			14217-054-PN01	-	152,154	-	174
FY18 Federal Special Education Part B			18611-054-PN01	-	201,056	-	161,926
FY19 Federal Special Education Part B			19611-054-PN01	-	-	-	191,291
FY16 Federal Special Education Part B			14216-054-PN01	-	241	-	-
				<u>-</u>	<u>353,451</u>	<u>-</u>	<u>353,391</u>
Total - Special Education Grants to States							
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY18 Special Education Preschool			18619-054-PN01	-	9,678	-	4,991
FY19 Special Education Preschool			19619-054-PN01	-	-	-	9,738
FY17 Special Education Preschool			45717-054-PN01	-	5,688	-	1,053
FY16 Special Education Preschool			45716-054-PN01	-	394	-	-
				<u>-</u>	<u>15,760</u>	<u>-</u>	<u>15,782</u>
Total - Special Education Preschool Grants							
Total - Special Education Cluster (IDEA)							
				<u>-</u>	<u>369,211</u>	<u>-</u>	<u>369,173</u>

SALEM COMMUNITY 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2016-17			17-8205	-	7,655	-	-
Title I 2017-18			18-8205	-	346,929	-	52,791
Title I SY 2018-2019			18611-001-PN01	-	-	-	340,991
Total - Title I Grants to Local Educational Agencies				-	354,584	-	393,782
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income 2018-20			S358B180014	-	-	-	12,967
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Pt A 2015			S367A150013	-	18,010	-	-
Title II Pt A 2016			S367A160013	-	70,144	-	20,229
Title II Pt A 2017			S367A170013	-	-	-	63,446
Title II Pt A 2018			S367A180013	-	-	-	57,692
Total - Supporting Effective Instruction State Grants				-	88,154	-	141,367
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY18-20			S424A180015	-	-	-	8,057
Total - Department of Education				-	811,949	-	925,346
<u>Department of Homeland Security</u>							
Pre-Disaster Mitigation	Indiana Department of Homeland Security	97.047					
			14796	-	1,099,058	-	-
Total - Department of Homeland Security				-	1,099,058	-	-
Total federal awards expended				\$ -	\$ 2,589,460	\$ -	\$ 1,608,130

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

SALEM COMMUNITY 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 accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. Special Education Cooperative

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statements of the Cooperative.

SALEM COMMUNITY 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
97.047	Child Nutrition Cluster Pre-Disaster Mitigation	Unmodified Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
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.

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Extracurricular School Lunch Accounts

The School Corporation had not separated incompatible activities related to cash and investments, receipts, and vendor disbursements for School Lunch. The following deficiencies were identified with controls over the School Lunch funds:

One individual ordered items; approved and recorded disbursements; issued and recorded receipts; performed bank reconciliations; and reconciled the Prepaid Lunches fund without sufficient oversight or review.

During the last seven months of the audit period, the Assistant Superintendent of Schools was involved in the oversight and approval of vendor disbursements and bank reconciliations; however, it was determined this review was ineffective. There was no indication of a reconciliation of the total disbursements approved to the actual disbursements recorded in the ledger to determine that all disbursements made had been approved. Bank statements were not provided during the review of the bank reconciliations in order to verify the content of the information used in the monthly bank reconciliations.

Online receipts to student meal accounts were not receipted to the general ledger or the student meal account at the time of the transaction, but were instead recorded when the monies were deposited into the bank. The same individual responsible for issuing receipts for the online payments was also responsible for performing the reconciliation of the prepaid meal account as well as issuing vendor checks; recording the checks; and performing bank reconciliations. There was no oversight or review of the prepaid meal account reconciliation.

Reconciliation of the prepaid lunch account with the subsidiary student meal account balances was performed on an annual basis instead of monthly. Monthly reconciliation of the prepaid lunch account with the subsidiary student meal account would allow for timely detection and correction of errors.

School Corporation Accounts

Controls were not in place to ensure all financial activity was properly processed throughout the computerized accounting system. Within the computerized accounting system, different steps had to be completed to ensure all financial activity was recorded properly throughout the system. The lack of controls over the recording and processing of financial activity, resulted in various financial reports having different receipt, disbursement, and cash balances.

Controls over vendor disbursements were not properly implemented. While officials stated that vendor disbursements were reviewed and approved by the Treasurer and Assistant Superintendent of Schools prior to payment, it was not possible to verify that the review and approval actually occurred. The approval signatures of the Treasurer and Assistant Superintendent of Schools were preprinted on the Accounts Payable Voucher forms printed by the Accounts Payable Clerk.

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

While the fiscal officer physically signed the Accounts Payable Voucher Register (voucher register) that was presented to the governing board for approval; the voucher register that was presented was in a summarized format and was not reconciled to any detail listing of vouchers and disbursements. As a result, it was not possible to determine if all vouchers and disbursements were included on the register for approval by the fiscal officer and the School Board.

Procedures were not in place to ensure the proper recording of financial activity related to payroll deductions. A reconciliation of the payroll deduction accounts to actual amounts that were owed, was not performed. As a result, errors in the recording of activity went undetected, resulting in the incorrect fund balances being reported.

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. Due to the lack of controls, the School Corporation's financial statement contained the following errors:

1. The July 1, 2017 cash and investment balance of the GO Bonds 2016 Const FD (SAFERM) fund was overstated by \$3,400,000.
2. The financial activity related to a loan was not recorded within the School Corporation's financial records. The loan proceeds were disbursed directly by the lending financial institution to vendors. This resulted in both receipts and disbursements of the First Harrison Bank Loan fund being understated by \$632,032 for fiscal year 2017-2018.
3. Numerous other funds had errors in the amounts reported for the beginning cash and investment balances, receipts, and disbursements.

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

The lack of controls and noncompliance were systemic issues, 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. . . .

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporation, Chapter 1)

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish a system of internal controls 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 2017-002

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 2017-002.

Condition and Context

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following errors:

1. The Pre-Disaster Mitigation grant in the amount of \$1,099,058 was omitted for fiscal year 2017-2018.
2. The National School Lunch Program was understated by \$19,404 for 2017-2018 and overstated by \$4,339 for 2018-2019.
3. The Title I Grants to Local Education Agencies were overstated by \$59,042 for 2017-2018 and overstated by \$8,810 for 2018-2019.
4. The Supporting Effective Instruction State Grants program was overstated by \$2,857 for 2017-2018.
5. An amount of \$460,197 was incorrectly reported as pass-through to a subrecipient in 2017-2018 when there were no funds passed to subrecipients.

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

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (a) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 ensure proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Special Tests and Provisions - School Food Accounts

Audit Finding: Material Weakness

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report in relation to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts. 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 following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, and Special Tests and Provisions - School Food Accounts.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The Food Service Director was responsible for ordering items, approving and recording disbursements, and performing bank reconciliations. There was no segregation of duties, and the oversight, review, and approval process was not sufficient.

Eligibility

The Food Service Clerk is the sole person responsible for making the determination of eligibility for free and reduced meals. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the eligibility determination.

Program Income

The Food Service Director recorded program income without any oversight to verify that the amounts recorded were correct and complete.

Special Tests and Provisions - School Food Accounts

A school food account had been established for the School Corporation; however, the oversight, review, and approval process of the activity recorded was performed in an inconsistent and ineffective manner and not adequately documented for most of the audit period.

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). . . ."

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to 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 2019-004

Subject: Child Nutrition Cluster - Procurement
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): FY2018, FY2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report as it relates to Procurement. The prior audit finding number was 2017-004.

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 and Suspension and Debarment compliance requirement.

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not have an effective control system to ensure compliance with procurement requirements. A Procurement Plan was maintained by the Food Service Director; however, there were no controls in place to ensure procurement procedures were followed for small and micro purchases.

The School Corporation did not comply with the procurement requirements for small and micro-purchases during fiscal years 2017-2018 and 2018-2019. A purchase was made that fell within the small purchase threshold without obtaining competitive quotes. Several micro-purchases were made from two vendors without any apparent efforts to equitably allocate the purchases among qualified vendors during 2017-2018 and 2018-2019.

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). . . ."

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. . . ."

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the procurement requirements and the grant agreement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the procurement 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 2019-005

Subject: Pre Disaster Mitigation - Procurement and Suspension and Debarment
Federal Agency: Department of Homeland Security
Federal Program: Pre Disaster Mitigation
CFDA Number: 97.047
Federal Award Number and Year (or Other Identifying Number): 14796
Pass-Through Entity: Indiana Department of Homeland Security
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

Procurement

The procurement plan in place did not address all aspects of the procurement requirement and there were no controls in place to ensure procurement procedures were followed.

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Suspension and Debarment

The School Corporation did not have an effective internal control system to ensure compliance with the suspension and debarment requirement. The School Corporation did not comply with the suspension and debarment requirement for 2017-2018 and 2018-2019. No procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into covered transactions. Expenditures for the grant encompassed three vendors all of which had contracts over \$25,000. The School Corporation did not verify that the vendors were not suspended or debarred prior to entering into covered transactions.

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). . . ."

2 CFR 200.318(a) states: "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."

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 intended to do business is not excluded or disqualified.

You do this by:

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

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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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.



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Rebecca White

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2017

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit.

Completed as of August 5, 2019

We immediately began training key administrators and money handlers. All Admin, clerical and cashiers watched a training video in February of 2019. All administrative personnel, teachers, instructional assistants, cafeteria workers and coaches now watch an internal controls training video and complete a course assessment quiz each year in August. This year this was completed on August 5, 2019.

The school district re-evaluated its internal controls system and made many changes and improvements. Disbursements from the school lunch fund are now reviewed and approved by the Assistant Superintendent before he signs the checks. The Food Service Director reconciles the school lunch fund on a monthly basis and then brings the monthly reconciliation, bank statements and fund report to Dr. Thurston to review and sign.

The corporation treasurer also reconciles the corporation funds on a monthly basis, then submits the bank reconciliations and fund reports, revenue reports and appropriation reports to the Assistant Superintendent to review and approve before being uploaded to Gateway. These changes were implemented immediately after the audit in December 2018.

The responsibility of the Corporation Treasurer and Food Service Director is to generate and enter a transaction while the Assistant Superintendent's responsibility is to review, approve, and acknowledge the transaction through a signature or initial and date.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston
Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit upon working on the new year's reports.
Completed as of November 14, 2019 when the SEFA report was submitted.

The school district reevaluated its internal controls system as it related to the proper reporting of SEFA. The Assistant Superintendent is responsible for reviewing the SEFA grant prior to submission. This year the Treasurer submitted the SEFA report to the Assistant Superintendent for review in November of 2019 before submitting the report.

The Food Service Director submitted a copy of the National School Lunch Program report to the Assistant Superintendent. Following a review of the report by the Assistant Superintendent, he and the Food Service Director signed and approved the report for submission.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2017

Federal Agency: Department of Agriculture

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit.

Completed as of January 31, 2019

The school district revamped the system of controls pertaining to the grant agreement as well as the allowed and unallowed activities. Particular attention was paid to compliance requirements regarding school food accounts. The Assistant Superintendent began immediately in December 2018, reviewing and approving all disbursements before they were made. Receipts and disbursement reports are generated monthly and submitted to the Assistant Superintendent for review. All reports approved and signed off on before submitting.

These steps began in December of 2018 and are on-going.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2017

Federal Agency: Department of Agriculture

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit.

Completed as of January 31, 2019

The school district revamped the system of controls pertaining to the grant agreement as well the Procurement and Suspension and Debarment compliance requirement. The Assistant Superintendent reviews all purchases to ensure those purchases adhere to the school district's purchasing policy and the State of Indiana's purchasing requirements.

Prior to entering into a contract exceeding \$25,000 the school district will verify the vendor is not presently suspended or debarred and ineligible from participating in federally funded programs.

These steps began in December of 2018 and are on-going.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2015

Federal Agency: Department of Education

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit.

Completed as of March 31, 2019

At the time of the first finding we had a different Title I Coordinator, who is no longer with our school. Our new Title I Coordinator began immediately implementing changes to assess the needs of our school and evaluate our use of Federal money to comply with federal regulations. These changes were fully in effect by March 31, 2019.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2017

Federal Agency: Department of Education

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Corrective Action Plan began immediately following the prior audit.

Completed as of August 2019, and is on-going.

The South Central Area Special Education Cooperative immediately implemented procedures to establish a system of controls to ensure compliance with the grant agreement and allowable costs/cost principles compliance requirement.

Monthly invoices for salary reimbursements from each school include expenditure reports that breakdown the payments made to these teachers by fund. The Co-op Treasurer also maintains records of activity for school corporation employees paid from special education funds by requesting semi-annual certifications from participating schools in the co-op. After gathering information on the different schools' teachers that are paid with federal grant dollars these records are filed and kept at the co-op office.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2017

Federal Agency: Department of Education

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Completed as of August 2019, and is on-going.

The new Treasurer was trained on the proper accounting practices for MOE. She used consistent categories of expenditure accounts and kept documentation on what numbers were used. She also consulted with the Assistant Superintendent while preparing the report.

Before submitting, the MOE will be reviewed by the Assistant Superintendent.

This corrective action is in progress and an ongoing endeavor.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2015

Federal Agency: Department of Education

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Completed - on-going.

To correct this finding the schools participating in the Special Ed Co-op requested that the contracts and subcontracts be presented by the South Central Area Special Education Cooperative to the SCASEC Board of Directors and reviewed by the superintendents prior to approval.

This corrective action is in progress and an ongoing endeavor.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-009 (Auditor Assigned Reference Number)

Fiscal Year in which the finding initially occurred: 2015

Federal Agency: Department of Education

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Status of Audit Finding:

Completed - on-going.

The school districts in the Special Ed Co-op are working to establish a more effective system of procedures and controls to monitor the Cooperative ensuring compliance with the grant agreement and the Reporting compliance requirement. To ensure this, reports are generated by the South Central Area Special Education Cooperative and signed by the Board President and verified by the Superintendents.

This corrective action is in progress and an ongoing endeavor.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school district is re-evaluating its internal controls system. The school district will continue to strive to become more diligent toward the management of financial transactions and reporting.

All financial statements and annual reports will be reviewed by the Assistant Superintendent and the Superintendent to ensure mistakes and omissions are not made again, as occurred with the Safe Room GO Bond Fund. The Assistant Superintendent will also review and approve the reconciliation of the prepaid meal fund account to the student account balance report. The disbursements from the school lunch fund will be reviewed and approved by the Assistant Superintendent. The bank reconciliations and financial statements from the school lunch program will be submitted to the Administration Office for the Assistant Superintendent to review and approve those transactions. The responsibility of the Corporation Treasurer and Food Service Director is to generate and enter a transaction while the Assistant Superintendent's responsibility is to review, approve, and acknowledge the transaction through a signature or initial and date.

The Corporation Treasurer has received additional training from the computer system support center and now understands the steps necessary to properly record financial activity throughout the system. Furthermore, detailed voucher and disbursement reports, as well as reports showing the reconciliation of payroll deductions and associated invoices will be provided to the school board each month.

Further segregation of duties will be implemented, ensuring that the person responsible for creating vouchers is not the same person that posts the vouchers. The Assistant Superintendent will then review all claims. These steps will be documented and kept on file. The segregation of duties will be greatly enhanced as we have hired a new Superintendent, lending another set of eyes to all reports and financial transactions.

The school nutrition program will record online deposits to lunch accounts at the time of the transaction to ensure funds are immediately available to the student. This change will be implemented at the beginning of next school year in order to have consistency in accounting practices.

Anticipated Completion Date: The anticipated completion date is July1, 2020.



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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school district is re-evaluating its internal controls system as it relates to the proper reporting of SEFA and the segregation of duties. The Assistant Superintendent is responsible for reviewing the SEFA grant prior to submission. The Treasurer will prepare the SEFA after preparing a schedule of expenditures for Federal awards listing individual Federal programs by agency. The Treasurer will then submit it to the Assistant Superintendent for review. He/she will initial it for submission after conferring with the Treasurer.

The Food Service Director will complete the report for the National School Lunch Program. The Director will submit a report to the Assistant Superintendent. Following a review of the report by the Assistant Superintendent, he/she and the Food Service Director will confer, sign and initial the report for submission.

Anticipated Completion Date:

The anticipated completion date is May 31, 2020.



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Superintendent

Jon D. Acton

Assistant Superintendent

Dr. Kim Thurston

Dir. of Assessment and Program Improvement

Brent Minton

Dir. of Technology

Erin Humphrey

Board of School Trustees

Mark Abbott

Rodney Brough

Dustin Davidson

Erika Garloch

Ron Haendiges

Richard Trueblood

Rebecca White

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school district is working to establish a system of controls pertaining to the grant agreement pertaining to activities allowed or unallowed, allowable costs/cost principles, eligibility, program income, and special tests and provisions relating to school food accounts. The Assistant Superintendent will review and approve items ordered, the recording of disbursements, and the monthly bank reconciliation to see that it matches the fund report.

To ensure segregation of duties, after the Food Service Clerk makes a determination of eligibility for free and reduced meals she will give the applications to the Food Service Director to review 10% of the applications and verify for accuracy. Both the Food Service Director and The Assistant Superintendent will ensure that the eligibility requirements set forth by the USDA/IDOE is accurately updated each year by the computer software company used for application determinations. The Assistant Superintendent will also review program income to verify the accuracy of the amounts recorded by the Food Service Director.

Anticipated Completion Date:

The anticipated completion date is May 31, 2020.



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CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school district is working to establish a system of controls to ensure compliance with requirements related to the grant agreement, including the procurement requirements for small and micro purchases, obtaining competitive quotes, and the procurement and suspension and debarment compliance.

The Assistant Superintendent will review procurement requirements for small and micro purchases, along with the competitive quotes and the suspension and debarment compliance. The Assistant Superintendent will also review market basket quotes received for this method of procuring.

This system of controls will include segregation of duties requiring the Assistant Superintendent to review and approve orders, purchases, contracts and monthly reconciliations performed by the Food Service Director.

Anticipated Completion Date:

The anticipated completion date is May 31, 2020.



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CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Dr. Kim A. Thurston

Contact Phone Number: 812-883-4437

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Recognizing the grant Procurement in place at the time of the safe room construction did not address all aspects of the federal and state procurement requirements, the school district is establishing an internal controls system to ensure compliance regarding suspension and debarment of contractors and vendors participating in federal grant programs. These procedures will include checking the SAM Exclusions when contracting with a vendor for more than \$25,000.00.

Anticipated Completion Date:

The anticipated completion date is May 31, 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/>.