

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT

DEKALB COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

03/11/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-19
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-23
Corrective Action Plan	24-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Good Brittany L. Treesh	07-01-18 to 06-30-19 07-01-19 to 06-30-21
Superintendent of Schools	Tonya K. Weaver	07-01-18 to 06-30-21
President of the School Board	Larry W. Getts, Jr. Wayne E. Funk Tamara L. Best	01-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 to 12-31-21



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 GARRETT-KEYSER-BUTLER COMMUNITY
SCHOOL DISTRICT, DEKALB 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 Garrett-Keyser-Butler Community School District (School Corporation), for the period of July 1, 2018 to June 30, 2020, 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 24, 2021, 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 2020-001 and 2020-002, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Garrett-Keyser-Butler Community School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 24, 2021



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 GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Garrett-Keyser-Butler Community School District'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, 2018 to June 30, 2020. 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, 2018 to June 30, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(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 items 2020-003 and 2020-004. 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 2020-003 and 2020-004, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated February 24, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

February 24, 2021

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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.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast		10.553	2018-2019	\$ -	\$ 111,118	\$ -	\$ -
School Breakfast		10.553	2019-2020	-	-	-	84,879
COVID-19 - School Breakfast Program	Indiana Department of Education						
		10.553	2019-2020	-	-	-	7,447
Total - School Breakfast Program				-	111,118	-	92,326
National School Lunch Program							
School Lunch	Indiana Department of Education						
After School Snack		10.555	2018-2019	-	430,209	-	-
Commodities		10.555	2018-2019	-	1,370	-	-
School Lunch		10.555	2018-2019	-	76,035	-	-
After School Snack		10.555	2019-2020	-	-	-	307,828
Commodities		10.555	2019-2020	-	-	-	2,260
		10.555	2018-2020	-	-	-	41,102
Sub-Total - National School Lunch Program				-	507,614	-	351,190
COVID-19 - National School Lunch Program	Indiana Department of Education						
		10.555	2019-2020	-	-	-	27,067
Total - National School Lunch Program				-	507,614	-	378,257
Summer Food Service Program for Children							
Summer Food	Indiana Department of Education						
Summer Food		10.559	2018-2019	-	27,894	-	-
		10.559	2019-2020	-	-	-	150,349
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education						
		10.559	2019-2020	-	-	-	63,793
Total - Summer Food Service Program for Children				-	27,894	-	214,142
Total - Child Nutrition Cluster				-	646,626	-	684,725
Child and Adult Care Food Program							
Head Start Lunch	Indiana Department of Education						
Head Start Lunch		10.558	2018-2019	-	92,383	-	-
		10.558	2019-2020	-	-	-	83,029
Total - Child and Adult Care Food Program				-	92,383	-	83,029
Total - Department of Agriculture				-	739,009	-	767,754
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education						
Special Education		84.027	18611-044-PN01	-	56,904	-	-
Special Education		84.027	19611-044-PN01	-	357,492	-	85,677
Special Education		84.027	20611-042-PN01	-	-	-	392,450
Total - Special Education_Grants to States				-	414,396	-	478,127

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education_Preschool Grants	Indiana Department of Education						
Special Ed Pre School		84.173	19619-044-PN01	-	16,423	-	-
Special Ed Pre School		84.173	20619-042-PN01	-	-	-	16,692
Total - Special Education_Preschool Grants				-	16,423	-	16,692
Total - Special Education Cluster (IDEA)				-	430,819	-	494,819
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I 2017-2018		84.010	S010A170014	-	78,086	-	-
Title I 2018-2019		84.010	S010A180014	-	197,013	-	27,074
Title I 2019-2020		84.010	S010A190014	-	-	-	187,293
Total - Title I Grants to Local Educational Agencies				-	275,099	-	214,367
Twenty-First Century Community Learning Centers	Indiana Department of Education						
21st Century Grant		84.287	S28701670014	-	23,605	-	-
21st Century Grant 2018-2019		84.287	S287C170014	-	125,291	-	24,709
21st Century Grant 2019-2020		84.287	S287C180014	-	-	-	140,349
Total - Twenty-First Century Community Learning Centers				-	148,896	-	165,058
Supporting Effective Instruction State Grants	Indiana Department of Education						
Title II 2017-2018		84.367	S367A160013	-	24,455	-	-
Title II 2017-2019		84.367	S367A170013	-	17,937	-	23,353
Title II/PT A/2018-2020		84.367	S367A180013	-	-	-	29,669
Title II/MTSS Pilot 2019-2020		84.367	S367A190013	-	-	-	8,153
Total - Supporting Effective Instruction State Grants				-	42,392	-	61,175
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV 2018-2020		84.424	S367A180013	-	-	-	8,531
Total - Department of Education				-	897,206	-	943,950
Department of Health and Human Services							
Head Start Cluster	Direct						
Head Start							
Head Start & Early Head Start 2018		93.600	05CH01036303	-	1,117,377	-	-
Head Start & Early Head Start 2019		93.600	05CH01036304	-	863,556	-	1,138,711
Head Start 2020		93.600	05CH01036305	-	-	-	908,723
Total - Head Start Cluster				-	1,980,933	-	2,047,434
Medicaid Cluster	Indiana Department of Education						
Medical Assistance Program							
FY 19		93.778	FY 19	-	9,160	-	-
FY 20		93.778	FY 20	-	-	-	8,377
Total - Medicaid Cluster				-	9,160	-	8,377
Maternal and Child Health Services Block Grant to the States	Indiana State Department of Health						
		93.994	93994TITLV19	-	-	-	9,730
Total - Department of Health and Human Services				-	1,990,093	-	2,065,541
Total federal awards expended				\$ -	\$ 3,626,308	\$ -	\$ 3,777,245

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
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, 2019 and 2020. 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 Northeast Indiana 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 statement of the Cooperative.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
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?	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:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Head Start Cluster	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 2020-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and other financing sources. The Treasurer posted receipts, which would include other financing sources, into the accounting software. There was no tangible evidence of an internal control system over receipts to show that there was an oversight, approval, or review process in place to ensure receipts and other financing sources were properly posted.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
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. . . ."

Cause

Management had not established a proper system of internal controls related to receipts and other financing sources.

Effect

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2020-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements . . ."

Cause

Management had not established a system of internal controls to ensure proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

Views of Responsible Officials

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-003

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2018-2019, 2019-2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

The School Corporation did not follow procedures established by the grant agreement to ensure that applicable vendors who received federal funds were not suspended or debarred from participation in federal award programs for those contracts procured by the School Corporation. The School Corporation entered into additional contracts outside of the service center and did not perform procedures to ensure compliance with verification requirements that these vendors were not suspended or debarred from participation in federal programs.

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

2 CFR 180.300 states:

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

You do this by:

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

Cause

Management had not developed a system of internal controls that would have ensured 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 remain undetected. Noncompliance with the grant agreements and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-004

Subject: Head Start Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Numbers and Years (or Other Identifying Numbers): 05CH01036303,
05CH01036304,
05CH01036305

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement to ensure that all costs charged to the Head Start program were allowable.

Disbursements made by the School Corporation out of the Head Start funds for payroll, technology, medical, transportation, and maintenance expenses were paid without adequate documentation to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not have a program approved indirect cost rate plan, and many of these expenses were identified as indirect costs. The costs in question totaled \$59,700.

The lack of internal controls and noncompliance were isolated to the expenditures noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 allowable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (iv) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a 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 go 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

Questioned costs identified totaled \$59,700.

Recommendation

We recommended that management of the School Corporation establish effective internal controls to ensure compliance 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.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2014-2015

Status of Audit Finding:

For Eligibility:

1. In October of the current school year, the cafeteria manager prints a list of all applications received through the Meal Magic software of all manually entered applications and online applications.
2. The cafeteria manager then selects 10% of the applications listed for review and to recalculate the determination.
3. After review, the cafeteria manager will sign/initial and date a copy of the Meal Magic determination/application sheet. If an application was initially submitted on paper and the data was entered into Meal Magic, the food service director will have entered the data and will have already signed the original, and it will be stapled to the reviewed copy.
4. This ensures we have two individuals completing these procedures – the cafeteria manager completes the 10% review and the food service director enters application data into the Meal Magic system.
5. Separate folders/files have been created to keep the documentation (the full list of applications), a list of the 10% selected for review, copies of the signed reviewed applications/determinations, a cover-sheet that explains the process and when it was completed. All signed by the cafeteria manager.

For Procurement:

The food service director procures and reviews the bids through the Food2School Purchasing Cooperative and then the bids are forwarded to the Business Manager. The bids are then presented to the school board for approval, upon approval it is relayed back to the food service director and Food2School. Prior to the 2019-2020 school year we used Region 8 Education Service Center to procure the bids, but followed the same procedures.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2017-2018

Status of Audit Finding:

Each staff member has a time sheet in which they track hours and duties related to Head Start on a daily basis with a description of the duty or meeting. The employee health clinic has a spreadsheet that is updated weekly to reflect medical visits from the Head Start staff. All of these sheets are then compiled into the annual invoice breakdown to determine direct costs. The issue with Indirect Costs were not corrected during the audit period and will be corrected by June 30, 2021.

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2017-2018

Status of Audit Finding:

The Head Start Director monitors the non-federal expenses monthly and submits the summary to both the Business Manager and School Board on a monthly basis. If a waiver for the non-federal share is needed, the Head Start Director submits the request to the School Board in November for approval. Once the School Board approves the waiver, the Head Start Director then submits through the Head Start Enterprise System.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Brittany Treesh
Contact Phone Number: 260-357-7004

Views of Responsible Official: The school corporation concurs with the finding.

Description of Corrective Action Plan:

The school corporation will implement additional internal controls and will require a second review of receipts prior to posting. Once receipts are posted the second reviewer will initial the posting document to ensure receipts were posted accurately.

Anticipated Completion Date: The Business Manager has already implemented this process.

FINDING 2020-002

Contact Person Responsible for Corrective Action: Brittany Treesh
Contact Phone Number: 260-357-7004

Views of Responsible Official: The school corporation concurs with the finding.

Description of Corrective Action Plan:

The school corporation will implement additional internal controls and will require a second review of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) prior to submitting.

Anticipated Completion Date: The Business Manager will implement this procedure starting in 2021.

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CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Brittany Treesh
Contact Phone Number: 260-357-7004

Views of Responsible Official: The school corporation concurs with the finding.

Description of Corrective Action Plan:

The school corporation will implement additional internal controls. The Food Service Director will obtain a contract or documentation from vendors outside of the service center proving they are not suspended or debarred from participation in federal programs before completing a purchase.

Anticipated Completion Date: The Food Service Director will implement this procedure immediately.

FINDING 2020-004

Contact Person Responsible for Corrective Action: Brittany Treesh
Contact Phone Number: 260-357-7004

Views of Responsible Official: The school corporation concurs with the finding.

Description of Corrective Action Plan:

The Business Manager and Head Start Director will collaborate together and obtain advice and information from the Regional Head Start office on how to move forward with these costs.

Anticipated Completion Date: The Business Manager and Head Start Director will begin working on this immediately.

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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/>.