

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HAMILTON HEIGHTS SCHOOL CORPORATION

HAMILTON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
03/31/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Caryn Provence	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Derek Arrowood	07-01-18 to 06-30-21
President of the School Board	Arnett Cooper Laura Reuter Kevin Cavanaugh	07-01-18 to 01-08-19 01-09-19 to 01-07-20 01-08-20 to 06-30-21



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 HAMILTON HEIGHTS SCHOOL
CORPORATION, HAMILTON 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 Hamilton Heights School Corporation (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 March 23, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

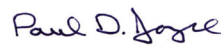
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 23, 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 HAMILTON HEIGHTS SCHOOL CORPORATION, HAMILTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Hamilton Heights School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2020-001 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Equipment and Real Property Management. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2018 to June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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


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

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

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

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 March 23, 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, CPA
State Examiner

March 23, 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.

HAMILTON HEIGHTS SCHOOL CORPORATION
 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	Total Federal Awards Expended 06-30-19	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program					
School Breakfast Program	Indiana Department of Education	10.553	FY2019	\$ 105,332	\$ -
School Breakfast Program		10.553	FY2020	-	76,100
COVID-19 - School Breakfast Program					
School Breakfast Program	Indiana Department of Education	10.553	FY2020	-	8,897
Total - School Breakfast Program					
				105,332	84,997
National School Lunch Program					
School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555	FY2019	396,708	-
School Lunch Program		10.555	FY2020	-	295,482
School Snack Program			FY 2019	709	-
Commodities				80,350	74,594
Sub-total - National School Lunch Program					
				477,767	370,076
COVID-19 - National School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555	FY2020	-	22,760
Total - National School Lunch Program					
				477,767	392,836
COVID-19 - Summer Food Service Program for Children					
Summer Food Service Program	Indiana Department of Education	10.559	FY2020	-	36,929
Total - Child Nutrition Cluster					
				583,099	514,762
Total - Department of Agriculture					
				583,099	514,762
<u>Department of Labor</u>					
Apprenticeship USA Grants					
State Apprenticeship Grant	Indiana Department of Workforce Development	17.285	AP-30077-16-60-A-18	-	48,694
Total - Department of Labor					
				-	48,694
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
FY17 Federal Part B 611					
	Indiana Department of Education	84.027	14217-025-PN01	20,644	-
FY18 Federal Part B 611					
		84.027	18611-023-PN01	150,607	20,100
FY19 Federal Part B 611					
		84.027	19611-023-PN01	332,504	175,545
FY20 Federal Part B 611					
		84.027	20611-023-PN01	-	355,375
Total - Special Education Grants to States					
				503,755	551,020
Special Education Preschool Grants					
FY18 Federal Part B 619	Indiana Department of Education	84.173	18619-023-PN01	2,722	1,487

HAMILTON HEIGHTS SCHOOL CORPORATION
 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	Total Federal Awards Expended 06-30-19	Total Federal Awards Expended 06-30-20
FY19 Federal Part B 619		84.173	19619-023-PN01	10,053	5,693
FY20 Federal Part B 619		84.173	20619-023-PN01	-	13,929
Total - Special Education Preschool Grants				<u>12,775</u>	<u>21,109</u>
Total - Special Education Cluster (IDEA)				<u>516,530</u>	<u>572,129</u>
Title I Grants to Local Educational Agencies		Indiana Department of Education			
Title I 2017-2018		84.010	S010A150014	72,005	-
Title I 2018-2019		84.010	S010A180014	110,837	44,449
Title I 2019-2020		84.010	S010A190014	-	94,819
Total - Title I Grants to Local Educational Agencies				<u>182,842</u>	<u>139,268</u>
English Language Acquisition State Grants		Indiana Department of Education			
Title III 17-19		84.365	01118-206-PN01	2,617	-
Title III 2018-2020		84.365	01119-207-PN01	-	1,350
Title III 2019-2021		84.365	01120-208	-	3,035
Total - English Language Acquisition State Grants				<u>2,617</u>	<u>4,385</u>
Supporting Effective Instruction State Grants		Indiana Department of Education			
Title IIA FY 2016		84.367	S367A160013	19,382	-
Title IIA FY 2017		84.367	S367A170013	24,790	12,097
Title IIA FY 2018		84.367	S367A180013	-	23,657
Total - Supporting Effective Instruction State Grants				<u>44,172</u>	<u>35,754</u>
Student Support and Academic Enrichment Program		Indiana Department of Education			
Title IV 2018-2019		84.424	S424A180015	9,136	1,246
Title IV 2019-2020		84.424	S424A190015	-	4,738
Total - Student Support and Academic Enrichment Program				<u>9,136</u>	<u>5,984</u>
Total - Department of Education				<u>755,297</u>	<u>757,520</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program		Indiana Department of Education			
Federal Medicaid Reimbursement		93.778	FY2019, FY 2020	1,343	4,388
Total - Medicaid Cluster				<u>1,343</u>	<u>4,388</u>
Total - Department of Health and Human Services				<u>1,343</u>	<u>4,388</u>
Total federal awards expended				<u>\$ 1,339,739</u>	<u>\$ 1,325,364</u>

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

HAMILTON HEIGHTS SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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 Hamilton-Boone-Madison Special Services Cooperative (Cooperative), which operates the special education programs for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

HAMILTON HEIGHTS SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster Special Education Cluster (IDEA)	Unmodified Qualified
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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Special Education Cluster (IDEA) - Equipment Management
 Federal Agency: Department of Education
 Federal Programs: Special Education Grants to States, Special Education Preschool Grants
 CFDA Numbers: 84.027, 84.173
 Federal Award Numbers and Years (or Other Identifying Numbers): 18611-023-PN01, 19611-023-PN01, 20611-023-PN01, 18619-023-PN01, 19619-023-PN01, 20619-023-PN01
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Equipment and Real Property Management
 Audit Findings: Material Weakness, Modified Opinion

HAMILTON HEIGHTS SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation is a member of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the equipment requirements. The Cooperative did not have adequate procedures in place to ensure that equipment purchased with grant funds were properly recorded and maintained in their equipment records. The Cooperative also did not maintain records for the disposition of equipment purchased with federal grant funds.

The lack of internal controls and noncompliance were isolated to fiscal year 2019-2020.

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 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section.
. . .

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the equipment requirements.

Effect

The failure to provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2020-002

Subject: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-025-PN01, 18611-023-PN01,
19611-023-PN01, 18619-023-PN01,
19619-023-PN01

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. The prior audit finding number was 2018-002.

Condition and Context

The School Corporation is a member of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and the School Corporation, the School Corporation was ultimately responsible for compliance with the Procurement and Suspension and Debarment compliance requirement.

HAMILTON HEIGHTS SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The written procurement policies and procedures of the Cooperative, the fiscal agent, did not comply with the procurement standards for fiscal year 2018-2019. The written policies did not specify avoiding the acquisition of unnecessary or duplicative items, or that all solicitations should incorporate a description of the technical requirements of the procurement. The fiscal agent also had a policy to use local geographical preferences in the evaluation of bids or proposals.

The School Corporation did not establish effective internal controls over purchases that fell within the small purchase requirement, allowing noncompliance to go undetected. Price or rate quotes were not obtained from an adequate number of qualified sources and full and open competition was not provided.

The lack of internal controls and noncompliance were isolated to 2018-2019.

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 200.320 states in part:

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

(a) 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."

2 CFR 200.319(b) states in part:

"The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . ."

Cause

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

HAMILTON HEIGHTS SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with 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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-0001

Contact Person Responsible for Corrective Action: Steve Wornhoff, Director, Hamilton-Boone-Madison Special Services Cooperative
Contact Phone Number: 317-773-2134

Status of Audit Finding: Finding initially occurred in 2018. The correction action was taken. HHSC Treasurer inquired with special services cooperative to insure period of performance was followed.



FINDING 2018-0002

Contact Person Responsible for Corrective Action: Steve Wornhoff, Director, Hamilton-Boone-Madison
Special Services Cooperative
Contact Phone Number: 317-773-2134

Status of Audit Finding: Finding initially occurred in 2018. The correction action was taken. HHSC
Treasurer inquired with special services cooperative to insure procurement policy was current and
complied with federal standards.



FINDING 2018-0003

Contact Person Responsible for Corrective Action: Patty Hicks, Food Service Director
Contact Phone Number: 317-984-1530

Status of Audit Finding: Finding initially occurred in 2018. The correction action was taken by the HHSC Food Service Director regarding following and documenting procurement plan and procedures.



(Signature)

Treasurer

(Title)

February 9, 2021

(Date)



CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: 317-984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Director of the Hamilton-Boone-Madison Special Services Cooperative learned of the requirement to include the disposition date and sale price if sold in the equipment record on January 7, 2021. At that time columns were added to the Cooperative's equipment record indicating the date of disposition of equipment and the sale price, if any. Going forward from January 8, 2021, HBMCCS tracks the disposition date and sale price of all equipment.

Anticipated Completion Date: 1/8/2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: 317-984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This is a carryover from the previous audit and has already been corrected.

Anticipated Completion Date: 3/20/2019



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/>.