

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION

JACKSON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

04/21/2021

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Patsy Hess | 07-01-18 to 06-30-21 |
| Superintendent of Schools | Greg Walker Jade W. Peters (interim) Timothy W. Taylor | 07-01-18 to 09-30-18 10-01-18 to 06-30-19 07-01-19 to 06-30-21 |
| President of the School Board | Mary Ann S. Spray Scott Shade | 07-01-18 to 06-30-19 07-01-19 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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON 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 Brownstown Central Community 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 10, 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 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 2020-001 and 2020-002.

Brownstown Central Community School Corporation'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

March 10, 2021, except for the Schedule of Expenditures
of Federal Awards, for which the date is March 30, 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 BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Brownstown Central Community 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. 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 Child Nutrition Cluster

As described in items 2020-004 and 2020-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that 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 Child Nutrition Cluster

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

Unmodified Opinion on the Other 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 its other major federal program 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 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, 2020-004, and 2020-005, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated March 10, 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

March 30, 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.

BROWNSTOWN CENTRAL COMMUNITY 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 | Indiana Department of Education | 10.553 | 3695 | \$ 61,401 | \$ 45,763 |
| School Breakfast Program | | | | | |
| COVID-19 - School Breakfast Program | | 10.553 | 3695 | - | 22,874 |
| School Breakfast Program | | | | | |
| Total - School Breakfast Program | | | | 61,401 | 68,637 |
| National School Lunch Program | | | | | |
| National School Lunch Program | Indiana Department of Education | 10.555 | 3695 | 309,868 | 237,586 |
| National School Lunch Program - Commodities | | | 3695 | 54,686 | 55,099 |
| Sub-Total - National School Lunch Program | | | | 364,554 | 292,685 |
| COVID-19 - National School Lunch Program | Indiana Department of Education | 10.555 | 3695 | - | 44,598 |
| National School Lunch Program | | | | | |
| Total - National School Lunch Program | | | | 364,554 | 337,283 |
| Total - Child Nutrition Cluster | | | | 425,955 | 405,920 |
| Total - Department of Agriculture | | | | 425,955 | 405,920 |
| <u>Department of Education</u> | | | | | |
| Special Education Cluster (IDEA) | | | | | |
| Special Education Grants to States | Indiana Department of Education | 84.027 | | | |
| Special Education | | | 18611-047-PN01 | 66,957 | 65,963 |
| Special Education | | | 19611-047-PN01 | 94,255 | 248,334 |
| Special Education | | | 20611-045-PN01 | - | 205,351 |
| Special Education | | | 14217-049-PN01 | 62,538 | - |
| Total - Special Education Grants to States | | | | 223,750 | 519,648 |

BROWNSTOWN CENTRAL COMMUNITY 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 |
|---|-------------------------------------|---------------------------|--|---|---|
| Special Education Preschool Grants | Indiana Department of Education | 84.173 | | | |
| Special Education Preschool | | | 18619-047-PN01 | 5,025 | 806 |
| Special Education Preschool | | | 19619-047-PN01 | 4,013 | 6,020 |
| Special Education Preschool | | | 20619-045-PN01 | - | 4,644 |
| Special Education Preschool | | | 45717-047-PN01 | 181 | - |
| Total - Special Education Preschool Grants | | | | <u>9,219</u> | <u>11,470</u> |
| Total - Special Education Cluster (IDEA) | | | | <u>232,969</u> | <u>531,118</u> |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | | | |
| Title I Basic Delinquent Grant | | | 17-3695 | 14,402 | - |
| Title I Basic Grant | | | 17-3695 | 56,859 | - |
| Title I Basic Grant | | | 18-3695 | 174,341 | 39,980 |
| Title I Basic Delinquent Grant | | | 18-3695 | - | 24,843 |
| Title I Basic Grant | | | 19-3695 | - | 169,530 |
| Total - Title I Grants to Local Educational Agencies | | | | <u>245,602</u> | <u>234,353</u> |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | | | |
| Title II Pt. A: 160013 | | | 16-3695 | 23,253 | - |
| Title II Pt. A: 170013 | | | 17-3695 | 37,835 | 3,387 |
| Title II Pt. A: 180013 | | | 18-3695 | - | 34,928 |
| Total - Supporting Effective Instruction State Grants | | | | <u>61,088</u> | <u>38,315</u> |
| Student Support and Academic Enrichment Program | Indiana Department of Education | 84.424 | | | |
| Title IV Pt. A: 180015 | | | 18-3695 | - | 13,060 |
| Total - Student Support and Academic Enrichment Program | | | | <u>-</u> | <u>13,060</u> |
| Total - Department of Education | | | | <u>539,659</u> | <u>816,846</u> |
| Total federal awards expended | | | | <u>\$ 965,614</u> | <u>\$ 1,222,766</u> |

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

BROWNSTOWN CENTRAL COMMUNITY 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. Orange-Lawrence-Jackson-Martin-Greene Joint Services

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Green Joint Services Special Education Cooperative (Cooperative). The Cooperative operates the special education programs 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 statements of the School Corporation. This activity is reported on the financial statement of the Cooperative.

BROWNSTOWN CENTRAL COMMUNITY 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? | 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> |
|------------------------|---|---------------------------|
| 84.010 | Child Nutrition Cluster Title I Grants to Local Educational Agencies | Qualified 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 Findings: Material Weakness, Noncompliance

Condition and Context

Throughout the audit period, there were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting over vendor disbursements made from the School Lunch fund. The School Lunch fund is handled by the School Corporation and had established an internal control that all disbursements are approved by the School Board. The internal control system was not operating effectively. Although vendor payments were approved by the Supervisor of Cafeterias and the School Lunch Treasurer or School Corporation Treasurer, they were not presented to the School Board for approval.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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. . . ."

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: . . .

(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. . . ."

Cause

Management had not established a proper system of internal controls that would have ensured all disbursements were approved by the School Board.

Effect

The failure to establish a proper system of internal controls enabled material noncompliance, and could have enabled other 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-002

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 2018-002.

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway and another employee reviewed and approved the information entered, the internal control was not effective and did not detect or allow for correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Special Education Cluster (IDEA) expenditures were overstated by \$179,255 and understated by \$27,182 for fiscal year 2018-2019 and 2019-2020, respectively.
2. Two additional grants had individually immaterial errors that resulted in understated expenditures of \$22,185 and \$2,466, for 2018-2019 and 2019-2020, respectively.
3. Other errors included an incorrect CFDA number, incorrect program names, and an incorrect identifying number.

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

Criteria

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

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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. . . ."

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. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-003

Subject: Child Nutrition Cluster - Internal Controls
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
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-003.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management

The School Corporation had not developed an internal control whereby the net cash resources in its food service program (School Lunch fund) were monitored to ensure that the net cash resources in the fund did not exceed three months average expenditures.

Program Income

The School Corporation had not established an effective internal control over program income. One individual was responsible for recording program income related to prepaid meal sales without any oversight or review.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation had not established an effective internal control over Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). One employee was primarily responsible for verifying free and reduced price applications. There was no documentation that an oversight, review, or approval process, or other compensating control, had been established to ensure the proper number of applications were verified for accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that included proper development of procedures, or a review and approval processes over the Cash Management, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system could have enabled noncompliance with the grant agreement and the Cash Management, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Cash Management, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

FINDING 2020-004

Subject: Child Nutrition Cluster - Procurement and 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
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-005.

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.

The School Corporation purchased food and supply items from one vendor with total purchases that exceeded the simplified acquisition threshold of \$150,000 during fiscal year 2018-2019 and 2019-2020 without soliciting bids and awarding a contract.

The School Corporation did not verify that the vendor was not suspended or debarred, or otherwise excluded from or ineligible for participation in, federal assistance programs prior to dealing business with them.

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

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

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

Management had not developed a system of internal 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 go undetected. Noncompliance with the grant agreement 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the 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 2020-005

Subject: Child Nutrition Cluster - Procurement and 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
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system 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.

The School Corporation was a member of the Wilson Education Center (Service Center). During fiscal year 2018-2019 and 2019-2020, the Service Center solicited, evaluated, and awarded bids for milk on behalf of its members.

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

Procurement

Bids for milk were originally awarded for 2016-2017. The contract included a clause stating that the contract could be extended for 3 additional 12-month periods by mutual written agreements. The Service Center could not provide written contracts of the mutually agreed-upon extensions of the dairy bids for 2018-2019 and 2019-2020. For 2019-2020, the Service Center had emails with the contractor that noted the agreement to extend the contract.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Suspension and Debarment

Bids for milk were originally awarded for 2016-2017. The contract included a clause stating that the contract could be extended for 3 additional 12-month periods by mutual written agreement, along with a clause noting that the vendor was not suspended or debarred. The Service Center could not provide documentation of the mutually agreed-upon contracts for the extensions of the dairy bids for 2018-2019 and 2019-2020. The Service Center obtained certifications for 2019-2020 from the milk vendor that stated they were not suspended or debarred. The Service Center did not provide documentation that procedures were performed to verify the vendors were not suspended or debarred for the 2018-2019 school year.

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 200.318(i) states:

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

2 CFR 200.320 states in part:

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

(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. . . ."

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."

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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 of the Service Center 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 go undetected. Noncompliance with the grant agreement 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 the School Corporation's management establish internal controls to ensure compliance and comply 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.

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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.



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-001

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

Date: 2/23/2021

Status of Audit Finding:

Segregation of Duties: Corrected. We have implemented our Corrective Action Plan.

Monitoring of Controls: The Corporation Treasurer is preparing financial reports and initialing as preparing and submitting to Asst. Superintendent for review and is initialing as proof of his review.



Brownstown Central Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-002

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

Date: 2/23/2021

Status of Audit Finding: Error occurred with our Special Education Cooperative Spreadsheet that was sent to us. We are continuing to work on implementing our Corrective Action Plan.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-003

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

Date: 2/23/2021

Status of Audit Finding:

Cash Management: Still working on implementing this Corrective Action Plan. Due to unforeseen circumstances, beyond our control, our Lunch Fund Treasurer was injured in an automobile accident and our process was disrupted and we have once again started implementing our Corrective Action Plan.

Eligibility: Corrected. Corrective Action Plan has been implemented.

Reporting: Corrected. Corrective Action Plan has been implemented.

Verification of Free and Reduced Price Applications: Still working on implementing this Corrective Action Plan. Due to unforeseen circumstances, beyond our control, our Lunch Fund Treasurer was injured in an automobile accident and our process was disrupted and we have once again started implementing our Corrective Action Plan.

Paid Lunch Equity: Corrected. Corrective Action Plan has been implemented.



Brownstown Central Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-004

Fiscal year in which the finding initially occurred: SY 2016-2017

Date: 02/23/2021

Status of Audit Finding:

Corrected. We have implemented our Corrective Action Plan.



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-005

Fiscal year in which the finding initially occurred: SY 2016-2017

Date: 2/23/2021

Status of Audit Finding:

Procurement: Still working on implementing this Corrective Action Plan. Due to unforeseen circumstances, beyond our control, our Lunch Fund Treasurer was injured in an automobile accident and our process was disrupted and we have once again started implementing our Corrective Action Plan.

Suspension and Debarment: Still working on implementing this Corrective Action Plan. Due to unforeseen circumstances, beyond our control, our Lunch Fund Treasurer was injured in an automobile accident and our process was disrupted and we have once again started implementing our Corrective Action Plan.



Brownstown Central Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-006

Fiscal year in which the finding initially occurred: SY 2016-2017

Date: 2/23/2021

Status of Audit Finding:

Still working on implementing this Corrective Action Plan. Due to unforeseen circumstances, beyond our control, our Lunch Fund Treasurer was injured in an automobile accident and our process was disrupted and we have once again started implementing our Corrective Action Plan.

The start of the 2019-2020 school year we established the Fund 8400 and are periodically transferring program income to the Fund 800.



Brownstown Central Community School Corporation

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March 5, 2021

FINDING 2020-001

Contact Person Responsible for Corrective Action: Patsy Hess, Corporation Treasurer

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Condition and Context

We have implemented a procedure to present the Lunch Fund Voucher Register to the School Board for their approval.

Anticipated Completion Date: January, 2021



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

March 5, 2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Patsy Hess, Corporation Treasurer, Jade, Peters, Assistant Superintendent

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Internal controls established to insure a proper system is in place to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

1. The Corporation Treasurer will work with the department heads to prepare the SEFA on Gateway. The Corporation Treasurer will supply the Assistant Superintendent with all the information available in order to approve and verify the accuracy of the information amounts on Gateway.
2. The Corporation Treasurer will keep a list of all Federal Programs received including the name of the pass-through entity and identifying numbers and CFDA number or other identifying number when the CFDA information is not available.

Anticipated Completion Date: March 1, 2021



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

March 5, 2021

FINDING 2020-003

Contact Person Responsible for Corrective Action: Patsy Hess, Corporation Treasurer, Natalie McGinnis, School Lunch Treasurer and Joe Sheffer, School Lunch Coordinator
Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management: The Corporation Treasurer will prepare a monthly report for the board meeting. The Corporation Treasurer and the Assistant Superintendent will review and sign the report. The Corporation Treasurer and Assistant Superintendent will verify that the 3 month average does not exceed the maximum allowable amount for a nonprofit entity.

Program Income: The Lunch Fund Treasurer will run the monthly sales report out of Harmony and send to the Corporation Treasurer. The Corporation Treasurer will verify and move funds from the Pre-pay account. The Assistant Superintendent will sign off.

Special Tests and Provisions-Verification of Free and Reduced Price Applications (NSLP): The Lunch Fund Treasurer will conduct the verification process. The Food Service Coordinator will review applications pulled for verification prior to letters being sent home. The Food Service Coordinator will sign the application as proof of review.

Anticipated Completion Date: Immediate



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

March 8, 2021

March 8, 2021

FINDING 2020-004

Contact Person Responsible for Corrective Action: Natalie McGinnis, School Lunch Treasurer and Joe Sheffer, School Lunch Coordinator

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement: The Lunch Fund Treasurer and the Food Services Director will solicit bids for purchases that exceed the simplified acquisition threshold of \$150,000 and in the event that two bids are not received, we will obtain documentation and will present bids and documentation to the Board of School Trustees for their approval.

Suspension and Debarment: Prior to awarding the bid, the Lunch Fund Treasurer will conduct a SAM search to ensure that the proposed vendor is not suspended or debarred and is eligible to participate in federally funded programs. Should the vendor be suspended or debarred, a contract will not be awarded. A copy will be kept in the Food Service Department. The Lunch Fund Treasurer and Food Service Coordinator will sign as proof of review.

Anticipated Completion Date: Immediate



Brownstown Central Community School Corporation

Phone: 812-358-4271 608 W. Commerce St, Brownstown, IN 47220 Fax: 812-358-5303

March 29, 2021

FINDING 2020-005

Contact Person Responsible for Corrective Action: Natalie McGinnis, School Lunch Treasurer and Joe Sheffer, School Lunch Coordinator

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement: The Lunch Fund Treasurer and the Food Services Director will reach out to the Wilson Center annually to obtain documentation in order to verify that proper procurement procedures are being followed.

Suspension and Debarment: The Lunch Fund Treasurer and the Food Services Director will reach out to the Wilson Center annually to obtain documentation in order to verify that proper procedures are being followed verifying vendors were not suspended or debarred.

Anticipated Completion Date: Immediate

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/>.