

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF  
EASTERN HOWARD SCHOOL CORPORATION  
HOWARD 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	Travis Hueston	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Keith Richie	07-01-18 to 06-30-21
President of the School Board	Aimee Romero Jordan Buckley Matt Adams Brian Day	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 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 EASTERN HOWARD SCHOOL  
CORPORATION, HOWARD 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 Eastern Howard 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 April 8, 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 item 2020-001, 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 item 2020-001.

***Eastern Howard 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

April 8, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 EASTERN HOWARD SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Eastern Howard 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 its major federal program for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in items 2020-002, 2020-003, and 2020-004, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Program Income, and Special Tests and Provisions - School Food Accounts that are applicable to the 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.

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the 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.

***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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 2020-002, 2020-003, and 2020-004, that we consider to be material weaknesses.




INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 April 8, 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

April 8, 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.

EASTERN HOWARD 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	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program							
	Indiana Department of Education	10.553					
			FY18-19	\$ -	\$ 46,065	\$ -	\$ -
			FY19-20	-	-	-	35,115
				<u>-</u>	<u>46,065</u>	<u>-</u>	<u>35,115</u>
	Sub-Total - School Breakfast Program						
				<u>-</u>	<u>46,065</u>	<u>-</u>	<u>35,115</u>
COVID-19 - School Breakfast Program							
	Indiana Department of Education	10.553					
			FY19-20	-	-	-	3,326
				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,326</u>
	Total - School Breakfast Program			<u>-</u>	<u>46,065</u>	<u>-</u>	<u>38,441</u>
National School Lunch Program							
	Indiana Department of Education	10.555					
			FY18-19	-	251,243	-	-
			FY19-20	-	-	-	188,211
			FY18-20	-	48,367	-	55,425
				<u>-</u>	<u>299,610</u>	<u>-</u>	<u>243,636</u>
	Sub-Total - National School Lunch Program			<u>-</u>	<u>299,610</u>	<u>-</u>	<u>243,636</u>
COVID-19 - National School Lunch Program							
	Indiana Department of Education	10.555					
			FY19-20	-	-	-	15,932
				<u>-</u>	<u>-</u>	<u>-</u>	<u>15,932</u>
	Total - National School Lunch Program			<u>-</u>	<u>299,610</u>	<u>-</u>	<u>259,568</u>
	Total - Child Nutrition Cluster			<u>-</u>	<u>345,675</u>	<u>-</u>	<u>298,009</u>
	Total - Department of Agriculture			<u>-</u>	<u>345,675</u>	<u>-</u>	<u>298,009</u>
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027					
			14217-033-PN01	-	1,457	-	-
			18611-033-PN01	-	177,955	-	4,166
			19611-033-PN01	-	137,287	-	161,998
			20611-033-PN01	-	-	-	131,154
				<u>-</u>	<u>-</u>	<u>-</u>	<u>131,154</u>
	Total - Special Education Grants to States			<u>-</u>	<u>316,699</u>	<u>-</u>	<u>297,318</u>

EASTERN HOWARD 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	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2018 Part B Preschool 619			18619-033-PN01	-	699	-	-
FY 2019 Part B Preschool 619			19619-033-PN01	-	-	-	13,090
FY 2020 Part B Preschool 619			20619-033-PN01	-	-	-	12,684
Total - Special Education Preschool Grants				-	699	-	25,774
Total - Special Education Cluster (IDEA)				-	317,398	-	323,092
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017 - 2018			18-3480	-	29,602	-	-
Title I 2018 - 2019			19-3480	-	82,857	-	24,379
Title I 2019 - 2020			20-3480	-	-	-	59,910
Total - Title I Grants to Local Educational Agencies				-	112,459	-	84,289
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
FFY 2017 Title II			S367A170013	-	12,248	-	-
FFY 2018 Title II			S367A180013	-	12,034	-	2,789
Total - Supporting Effective Instruction State Grants				-	24,282	-	2,789
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
FFY 2019 Title IV			S367A200013	-	-	-	31,057
Total - Student Support and Academic Enrichment Program				-	-	-	31,057
Total - Department of Education				-	454,139	-	441,227
Total federal awards expended				\$ -	\$ 799,814	\$ -	\$ 739,236

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

EASTERN HOWARD 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 Kokomo Area Special Education Cooperative (Cooperative). As a result, the activity for the Special Education Cluster (IDEA) presented as federal awards expended in the SEFA, is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the fiscal agent for the Cooperative, Western School Corporation.

EASTERN HOWARD 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 program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

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

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

**FINDING 2020-001**

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 2018-001.

*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).

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation failed to 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 and allow for the 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 School Lunch - Commodities for the National School Lunch Program were omitted for fiscal years 2018-2019 and 2019-2020, which understated expenditures by \$48,367 and \$55,425, respectively.
2. In addition to errors in School Lunch - Commodities, the National School Lunch Program expenditures were understated for 2018-2019 by \$1,319, and overstated for 2019-2020 by \$179,135.
3. Several additional grants had immaterial errors that resulted in an overstatement of expenditures for 2018-2019 and 2019-2020 of \$8,536, in total.
4. Other errors included incorrect program names and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

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

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

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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



EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.
- (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."

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a 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*.

*Recommendation*

We recommended that the School Corporation's management establish effective internal controls related to the preparation of the SEFA.

*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 2020-002**

Subject: Child Nutrition Cluster - Cash Management  
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: 10.533, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY18-19, FY19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Modified Opinion

*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 Cash Management compliance requirement.

The School Corporation did not have effective internal controls to monitor the cash balance (net cash resources) of the School Lunch fund to ensure that it did not exceed the three months average expenditure amount. The analysis of the three months average expenditure amount was completed by the Treasurer and reviewed by the Food Service Director, to ensure the amount did not exceed the three months average expenditure; however, the internal control was not effective. Eleven months of the audit period had balances over the three months average expenditure amount.

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

EASTERN HOWARD 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). . . ."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State Agency; . . ."

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

*Cause*

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

*Effect*

The failure to establish an effective internal controls system enabled noncompliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls and comply with the grant agreement and the Cash 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.

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2020-003***

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts  
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: 10.533, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY18-19, FY19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts  
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 2018-003.

*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 Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation paid a portion of the wages for the Middle School Principal, the High-School Assistant Principal, and the Family and Consumer Sciences/Food Service Director from the School Lunch fund without proper documentation to support the amounts paid.

The wages charged were based on fixed percentages. There was no supporting documentation to indicate how the amounts were determined.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.307(e)(2) states in part: "*Addition*. With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award."

7 CFR 210.14(a) states:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.)."

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained and to comply with the grant agreement and the Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts 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): FY18-19  
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 to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not provide price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$10,000 for one of the two Small Purchases tested for fiscal year 2018-2019. In addition, the School Corporation did not verify whether vendors whose products were procured outside of a Group Purchasing Organization (GPO) and/or other non-School Food Authority (SFA) were suspended or debarred.

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of internal controls and noncompliance were systemic issues 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 states in part:

"(a) 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. . . .

- (i) 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.

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."

EASTERN HOWARD SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

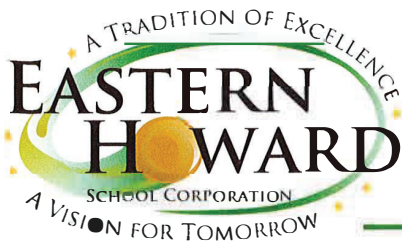
*Views of Responsible Officials*

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



#### AUDITEE-PREPARED DOCUMENTS

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



**Dr. Keith Richie**  
Superintendent of Schools  
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☎: 765.628.5017  
✉: keith.richie@eastern.k12.in.us  
\* : www.eastern.k12.in.us


### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

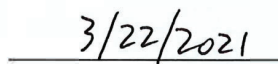
**FINDING 2018-001**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grant or Agency, if direct:  
Contact Person responsible for Corrective Action: Travis Hueston, Treasurer  
Contact email: [travis.hueston@eastern.k12.in.us](mailto:travis.hueston@eastern.k12.in.us)  
Contact phone number: (765) 628-3391

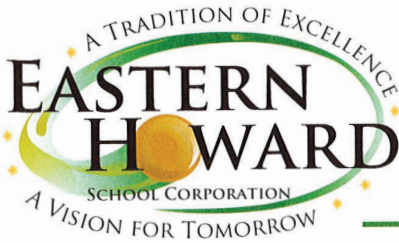
Status of Audit Finding: EHSC has implemented control procedures as those procedures relate to the preparation and submission of the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer has gained a more complete understanding of how to report the expenditures for each individual grant. The process of reporting the grants with the correct naming conventions and including expenditure amount for commodities has been highlighted by the field examiner and will be implemented in the next SEFA submission to Gateway.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.



**Dr. Keith Richie**  
Superintendent of Schools

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2018-002**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grant or Agency, if direct: Department of Agriculture

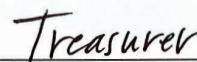
Contact Person responsible for Corrective Action: Travis Hueston, Treasurer

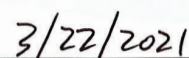
Contact email: [travis.hueston@eastern.k12.in.us](mailto:travis.hueston@eastern.k12.in.us)

Contact phone number: (765) 628-3391

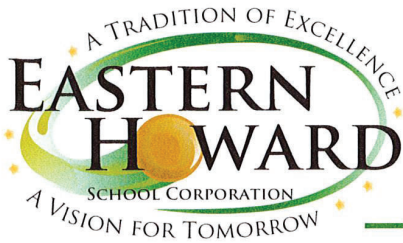
Status of Audit Finding: **Eligibility:** EHSC has control procedures in place to determine eligibility and to review and approve applications for Free/Reduced (F/R) lunches. Skyward is updated with current formulas that determine eligibility at annual student enrollment. Following the determination by the software, the ECA Treasurers will review applications for accuracy. Building Administrators will review for final determination at the beginning of each school year, and throughout the school year, as necessary. **Special Tests & Provisions, etc.:** EHSC has implemented and performed the selected sample review of F/R applications as directed. The Food Service Director (FSD) selects a sample of at least 3% of the total applications received at the beginning of the school year. The FSD recalculates eligibility for those applications selected, then submits same sample to the Corporation Treasurer for review and acknowledgement.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

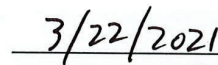
**FINDING 2018-003**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grant or Agency, if direct: Department of Agriculture  
Contact Person responsible for Corrective Action: Travis Hueston, Treasurer  
Contact email: [travis.hueston@eastern.k12.in.us](mailto:travis.hueston@eastern.k12.in.us)  
Contact phone number: (765) 628-3391

Status of Audit Finding: EHSC has discontinued paying a portion of the Middle School principal's salary and the High School assistant principal's salary from the school lunch fund. The current Food Service Director (FSD) is a non-certified member of the EHSC staff and devotes 100% of her time worked as FSD. The previous FSD was also a certified teacher, who split her time between teaching classes and fulfilling the duties of FSD. With her retirement, this role was changed to a non-certified position, in order to comply with the federal guidelines concerning allowable costs and cost principles.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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**EASTERN HOWARD SCHOOL CORPORATION**

221 West Main Street  
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(765) 628-3391

Dr. Keith Richie, Superintendent  
Travis Hueston, Treasurer

**CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION**

***FINDING 2020-0001***

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer  
Contact Phone Number/email: (765) 628-3391/travis.hueston@eastern.k12.in.us

The corporation did not have an effective internal control/review procedure that would detect and correct errors prior to submission of the Schedule of Expenditures of Federal Awards (SEFA).

We concur with this finding

Description of Corrective Action Plan:

The Treasurer has a more clear understanding of the manner in which the different grants are required to be reported. The Treasurer will maintain the proper listing of individual grants and segregate the expenses and receipts as they occur for the specific audit period. Commodities for the National School Lunch Program will be included in the next submission of the SEFA, due August 2021.

Anticipated Completion Date: 8/30/2021

**EASTERN HOWARD SCHOOL CORPORATION**

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Dr. Keith Richie, Superintendent  
Travis Hueston, Treasurer

**CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION**

***FINDING 2020-0002***

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer  
Contact Phone Number/email: (765) 628-3391/travis.hueston@eastern.k12.in.us

The corporation did not provide an explanation for exceeding the average three month balance in the School Lunch Fund.

We concur with this finding

Description of Corrective Action Plan:

The Treasurer was not aware of the requirement to provide a written explanation for each month that the balance in the School Lunch Fund exceeded the three month average. The balance exceeded the threshold on June 30, 2019, however was back within the guidelines on August 31, 2019. The balance was in compliance on June 30, 2020 and has not exceeded since. If the threshold is not met in the future, the Treasurer and Food Service Director will collaborate and submit the required explanation.

Anticipated Completion Date: 4/30/2021

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Dr. Keith Richie, Superintendent  
Travis Hueston, Treasurer

**CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION**

***FINDING 2020-0003***

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer  
Contact Phone Number/email: (765) 628-3391/travis.hueston@eastern.k12.in.us

The corporation did not provide time and effort logs or other documentation to ensure compliance with the grant agreement.

We concur with this finding

Description of Corrective Action Plan:

The Food Service Director (FSD) during the current audit period also taught classes during the school day. A portion of the salary that related to FSD duties was paid from the School Lunch Fund, based on hours she was not teaching in the classroom. The previous FSD retired in June 2020 and the corporation's new FSD, hired July 2020, is a non-certified employee and devotes 100% of her time to FSD duties. This finding will no longer be an issue for the corporation.

Anticipated Completion Date: 7/1/2020

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(765) 628-3391

Dr. Keith Richie, Superintendent  
Travis Hueston, Treasurer

**CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION**

***FINDING 2020-004***

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer  
Contact Phone Number/email: (765) 628-3391/travis.hueston@eastern.k12.in.us

The corporation did not provide verification that proper procedures related to procurement were followed.

We concur with this finding

Description of Corrective Action Plan:

The corporation was unable to provide documentation that proper procurement procedures were followed during the audit period related to the Stanz Company. The current Food Service Director (FSD) and Treasurer understand the procedure and will ensure the proper procedures are followed in the future, if purchases are required to be made outside of the purchasing Co-Op.

Anticipated Completion Date: 4/1/2021



## 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/>.