

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ROCHESTER COMMUNITY SCHOOL CORPORATION

FULTON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
04/30/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Chandler Todd VanDerWeele	07-01-18 to 07-17-18 07-18-18 to 06-30-21
Superintendent of Schools	Jana Vance	07-01-18 to 06-30-21
President of the School Board	Thomas Schwenk Jennifer Smith	07-01-18 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 ROCHESTER COMMUNITY SCHOOL
CORPORATION, FULTON 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 Rochester 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 April 14, 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.

Rochester 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

April 14, 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 ROCHESTER COMMUNITY SCHOOL CORPORATION, FULTON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

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

We believe that our audit provides a reasonable basis for our opinion on compliance for 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 Child Nutrition Cluster

As described in item 2020-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the possible effects of the matter 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 Child Nutrition Cluster for the period of July 1, 2018 to June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-004. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on 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.

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)


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.

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 14, 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 14, 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.

ROCHESTER 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	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 18-19 FY 19-20	\$ - -	\$ 131,978 -	\$ - -	\$ - 88,491
COVID-19 School Breakfast Program School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	-	-	-	7,509
Total - School Breakfast Program				-	131,978	-	96,000
National School Lunch Program	Indiana Department of Education	10.555	FY 18-19	-	473,889	-	-
National School Lunch Program - Commodities			FY 18-19	-	75,261	-	-
National School Lunch Program			FY 19-20	-	-	-	340,407
National School Lunch Program - Commodities			FY 19-20	-	-	-	72,311
Subtotal - National School Lunch Program				-	549,150	-	412,718
COVID-19 National School Lunch Program National School Lunch Program	Indiana Department of Education	10.555	FY 19-20	-	-	-	27,089
Total - National School Lunch Program				-	549,150	-	439,807
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 18-19 FY 19-20	- -	39,310 -	- -	- 31,974
COVID-19 Summer Food Service Program for Children Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 19-20	-	-	-	155,596
Total - Summer Food Service Program for Children				-	39,310	-	187,570
Total - Child Nutrition Cluster				-	720,438	-	723,377
Total - Department of Agriculture				-	720,438	-	723,377
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed IDEA-Part B 611 FY2018			H027A170084	-	294,745	-	37,064
Special Ed IDEA-Part B 611 FY2019			H027A180084	-	-	-	248,734
Total - Special Education Grants to States				-	294,745	-	285,798
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed IDEA-Part B 619 FY2018			H173A170104	-	6,855	-	2,663
Special Ed IDEA-Part B 619 FY2019			H173A180104	-	-	-	7,723
Total - Special Education Preschool Grants				-	6,855	-	10,386
Total - Special Education Cluster (IDEA)				-	301,600	-	296,184

ROCHESTER 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	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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A 2017-2018			S010A170014	-	40,418	-	-
Title I Part A 2018-2019			S010A180014	-	297,020	-	16,865
Title I Part A 2019-2020			S010A190014	-	-	-	271,250
Total - Title I Grants to Local Educational Agencies				-	337,438	-	288,115
Career and Technical Education-Basic Grants to States Career & Technical Performance	Indiana Department of Education	84.048	FY 18-19	-	5,782	-	-
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III English Proficiency FFY2019			S365A190014	-	-	-	3,702
Title III English Proficiency FFY2020			S365A190014	-	399	-	-
Total - English Language Acquisition State Grants				-	399	-	3,702
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A FFY2016			S367A160013	-	70,478	-	-
Title II A FFY2017			S367A170013	-	27,762	-	24,324
Title II A FFY2018			S367A180013	-	-	-	55,653
Total - Supporting Effective Instruction State Grants				-	98,240	-	79,977
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 2018-2019			S424A180015	-	12,934	-	8,430
Title IV Part A 2019-2020			S424A190015	-	-	-	14,153
Total - Student Support and Academic Enrichment Program				-	12,934	-	22,583
Total - Department of Education				-	756,393	-	690,561
<u>Department of Health and Human Services</u>							
<u>Medicaid Cluster</u>							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid - MAC			FY 18-19, FY 19-20	-	23,633	-	25,777
Medicaid - IEP			FY 18-19, FY 19-20	-	87,861	-	68,090
Total - Medicaid Cluster				-	111,494	-	93,867
Total - Department of Health and Human Services				-	111,494	-	93,867
Total federal awards expended				\$ -	\$ 1,588,325	\$ -	\$ 1,507,805

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

ROCHESTER 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.

ROCHESTER 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 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

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation had not established an effective system of internal controls over financing sources and uses and financial close and reporting.

Financing Uses and Sources

Internal controls were not properly developed and implemented to ensure that all transfers between funds were properly approved by the School Board. Of the 15 tested, 5 were not approved by the School Board.

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

Financial Close and Reporting

The School Corporation failed to properly review the Form 9, the source of the financial statement, prepared and submitted to the Indiana Department of Education. Although one employee prepared and entered the information and another employee reviewed and approved the information entered, the internal control was not effective and did not detect errors prior to submission.

In addition, the School Corporation had not established a process to evaluate the internal control system to identify and communicate corrective actions to improve internal controls.

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

1. The 2015 Construction fund overstated other financing sources and uses by \$77,100 and overstated disbursements by \$205,728 for fiscal year 2018-2019.
2. The 2018 Construction fund overstated beginning balance and understated receipts by \$2,431,869 and overstated other financing sources by \$89,124 for 2018-2019.
3. The Homeland Security Grt 2013-14 fund overstated receipts by \$144,136 and disbursements for 2019-2020.
4. The IDEA Part B #611 YR 17-18 fund overstated receipts by \$294,746 and disbursements by \$286,771 for 2018-2019 and overstated receipts by \$36,284 for 2019-2020.
5. The Sp Ed Part B 2018-2019 fund overstated other financing sources and disbursements by \$97,790 for 2019-2020.
6. The IDEA Part B 611 FY18 fund understated receipts by \$294,746 and disbursements by \$286,772 for 2018-2019 and overstated other financing uses by \$36,284 for 2019-2020.
7. The IDEA Part B 611 FY 19 fund understated disbursements by \$97,790 for 2018-2019 and overstated disbursements in the same amount for 2019-2020.
8. Numerous other funds had errors that resulted in adjustments to the financial statement.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in the Financial Statement Audit 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 and monitoring 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.

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

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. . . ."

"Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results. . . ."

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

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

Cause

Management had not established an effective system of internal controls that would have ensured proper reporting of the financial statement.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement included 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.

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 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 correction of errors prior to submission.

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

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

1. The Child Nutrition Cluster expenditures were not reported by program, but in total for the Cluster. In addition, expenditures were understated by \$405,131.
2. The Medicaid Cluster was understated by \$113,814.
3. State grants were incorrectly included and overstated the expenditures on the SEFA by \$70,274.
4. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$4,584, in total.
5. Other errors included missing CFDA numbers and incorrect pass-through entities 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 . . ."

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:

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

(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."

Cause

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

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

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA included 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 - Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: National School Lunch Program, COVID-19 National School Lunch Program,
School Breakfast Program, COVID-19 School Breakfast Program

CFDA Numbers: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 19-20

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a partial 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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

The School Corporation did not have effective internal controls in place to ensure that verification of free and reduced price applications were properly verified and accurate. The School Corporation was unable to provide documentation to verify compliance with the verification requirement for fiscal year 2019-2020.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to 2019-2020.

ROCHESTER 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). . . ."

7 CFR 245.6a(c) states in part:

"*Verification requirement*—

(1) *General*. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that adequate documentation of verifications was maintained in compliance with the Special Tests and Provisions - Verifications of Free and Reduced Price Applications (NSLP) compliance requirement.

Effect

The failure to establish an effective internal control system and to retain or provide appropriate supporting documentation for the verification of food service applications for 2019-2020, prevented the determination of the School Corporation's compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls and ensure that documentation will be maintained and available for audit.

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

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 - Program Income

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 Numbers and Years (or Other Identifying Numbers): FY 18-19, FY 19-20

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a partial repeat finding from the immediately prior audit report. The prior audit finding number was 2018-006.

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 Program Income compliance requirement.

The School Corporation did not properly assess program income for all adult meals; cafeteria workers were allowed free meals with no approved policy.

The lack of internal controls and noncompliance were systemic issues 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). . . ."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

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

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the 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 with the grant agreement and the Program Income 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 - 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, Summer Food Service Program for Children,
COVID-19 Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 18-19, FY 19-20

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - School
Food Accounts, Special Tests and Provisions -
Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a similar repeat finding from the immediately prior audit report. The prior audit finding numbers were 2018-004 for Eligibility, 2018-006 for Special Tests and Provisions - School Food Accounts, and 2018-003 for Special Tests and Provisions - Paid Lunch Equity.

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 Eligibility, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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

Eligibility

The School Corporation did not have internal controls in place to ensure that applications for free and reduced priced meals were accurate or complete. The School Corporation implemented internal software which processed the eligibility determination dependent on the application information input into the system. The Food Service Director reviewed all direct certifications and the Business Manager reviewed 10 percent of all applications; however, some direct certifications and applications had no evidence of a review or approval.

Special Tests and Provisions - School Food Accounts

The School Corporation did not have internal controls in place to ensure that income generated from School Food Accounts were properly receipted into the School Lunch fund. The Business Manager provided a monthly income report to the Food Service Director; however, there was no evidence of a review or approval.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program and COVID-19 National School Lunch Program only)

The School Corporation did not have internal controls in place to ensure that the Paid Lunch Equity calculation was accurate. One employee prepared the Paid Lunch Equity calculations without an oversight or review process to ensure the accuracy of the calculation.

The lack of internal controls was a systemic issue throughout the audit period for the Eligibility and Special Tests and Provisions - School Food Accounts compliance requirements. The lack of internal controls for Special Tests and Provisions - Paid Lunch Equity was isolated to fiscal year 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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk for noncompliance with the grant agreement and the compliance requirements listed above.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

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Rochester Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30, 2018

Audit Finding: Material Weakness, Noncompliance

Status of Audit Finding: We separated building corporation funds from school corporation funds in Komputrol (our accounting system) in February 2019. All invoices and depository agreements are also reviewed before submission for payment.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30, 2016

Audit Finding: Material Weakness

Status of Audit Finding: The Business Manager is compiling monthly reports of revenue and expenses of the lunch program, and is providing to the Food Service Director. Food Service Director reviews report to ensure that funds don't exceed three month average expenditures.

The Food Service Director is entering NLSP applications through the direct certification website, and also verifying these applications through direct verification. The Business Manager reviews all information and signs the verification part along with the Food Service Director. We are working to correct this finding.

The Food Service Director gathers figures and information from NutriKids, and enters into a working copy of the USDA tool. Business Manager is verifying these figures, and the Food Service Director submits these figures in the USDA provided tool.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30,2016

Audit Finding: Material Weakness, Other Matters

Status of Audit Finding: Food Service Director receives Free and Reduced applications and enters information into the food service software. The Business Manager will review 10% of applications verifying is accurate and signs the applications. We are working to correct this finding.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-005 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30,2016

Audit Finding: Material Weakness, Modified Opinion

Status of Audit Finding: The Business Manager prints a Vendor Payments Report from the school corporation's financial system (Komputrol). Then the Business Manager, using the SAM website, enters vendors one by one to verify vendor eligibility. Each review is printed. After this process, documentation is given to Food Service Director to review and sign. This was corrected in June 2019.

When items over \$5,000 or purchases over \$3,500 are made, Food Service Director is obtaining three quotes or bids. Business Manager reviews and verifies before purchase is made. This was corrected in May 2019.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-006 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30, 2016

Audit Finding: Material Weakness, Modified Opinion

Status of Audit Finding: We have separate accounts for prepaid lunch and lunch accounts. At the end of every month, the Food Service Director provides the Business Manager building reports of lunch sales, and the Business Manager conducts transfers from prepaid to student lunches. This correction was made in March 2019.

The Food Service Director is periodically reviewing collections to ensure that all income is properly assessed and recorded.

The portion of the Business Manager's salary was ended in March 2019.

The free meal program for custodians and principals, we are working to correct this finding.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-007 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30, 2016

Audit Finding: Material Weakness, Modified Opinion

Status of Audit Finding: The Food Service Director is preparing all required reports. The Business Manager is reviewing these reports for accuracy prior to their submission. This correction was made in March 2019.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-008 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: June 30,2016

Audit Finding: Material Weakness, Modified Opinion

Status of Audit Finding: Status of Audit Finding: The Business Manager prints a Vendor Payments Report from the school corporation's financial system (Komputrol). Then the Business Manager, using the SAM website, enters vendors one by one to verify vendor eligibility. Each review is printed. After this process, documentation is given to Special Education Director to review and sign. This was corrected in June 2019.

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CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele
Contact Phone Number: (574) 223-2159 x 5006

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The Business Manager will ensure that school board approval is given through resolution for any transfers between funds. Further, the Business Manager will prepare a report for the school board when requested transfers are complete.

The Business Manager will continue to have the Superintendent review and approve the information for our Form 9 submission.

Anticipated Completion Date: July 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: (574) 223-2159 x 5006

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: In order to eliminate the opportunity for erroneous reporting, all aspects of the SEFA will be reviewed by the department or administrator responsible for the respective grant. Once accuracy is confirmed, the respective administrator will sign off on the SEFA and the Business Manager will maintain supporting documents. Upon completion, and before submission, the SEFA will be reviewed by the Superintendent to not only ensure that reporting is complete and accurate, but that documents proving accuracy and verification are maintained.

Anticipated Completion Date: August 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathy Wilkinson
Todd VanDerWeele

Contact Phone Number: (574) 223-2159 x 5004; x 5006

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The Food Service Director will select applications in accordance with NSLP. The director will proceed to the Direct Certification website and verify through direct verification. The applications that are not verified through direct certification will be sent letters to obtain income documentation. The Director will input the income verification received into the food service software. The Business Manager will review all the information and sign the verification area, as will the Director.

The Food Service Director will store all records in storage boxes, from newest application to oldest, and those applications verified by the Business Manager will be kept in a separate folder.

Anticipated Completion Date: May 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathy Wilkinson
Todd VanDerWeele

Contact Phone Number: (574) 223-2159 x 5004; x 5006

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: To account for adult meals, café workers will be allowed free lunches with the approval by resolution from the school board. This resolution will only cover those employees clocked in and working in our cafeterias.

Anticipated Completion Date: May 2021



Rochester Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2020-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathy Wilkinson
Todd VanDerWeele

Contact Phone Number: (574) 223-2159 x 5004; x 5006

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The district is using Mosaic, an online program for potential free and reduced families. All applications will be entered by the families. The Food Service Director will generate a report showing which families qualified for free and reduced. If there are paper applications, the Business Manager will review the application to verify the information and results as accurate and will sign the front of the application.

The Food Service Director provides sales reports from each building monthly to the Business Manager. This reports includes student and adult lunch purchases. The Business Manager then prepares the transfer report for funds from the prepaid account to the lunch account. The Food Service Director and Business Manager will both review, initial, and date this report. The Business Manager will keep a log of the dates of review in the business office. The Food Service Director will keep this report on file in the Director's office.

The Food Service Director will prepare the Paid Lunch Equity calculation. The Business Manager will review for accuracy before submission and initial and date when complete.

Anticipated Completion Date: May 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/>.