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

FEDERAL COMPLIANCE AUDIT REPORT
OF

SOUTHWEST PARKE COMMUNITY
SCHOOL CORPORATION
PARKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020

FILED
05/04/2021

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Leslie A. Shaffer	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Philip T. Harrison	07-01-18 to 06-30-21
President of the School Board	Leslie Batty	07-01-18 to 12-31-18
	Darrek J. Davis	01-01-19 to 06-30-21

STATE OF INDIANA
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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 SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION, PARKE 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 Southwest Parke 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 26, 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 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 item 2020-002.

Southwest Parke 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
Paul D. Joyce, CPA
State Examiner

April 26, 2021

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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 SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION, PARKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Southwest Parke 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. 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.

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 and 2020-004, that we consider to be material weaknesses.

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

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

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 26, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

April 26, 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.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-19	Total Federal Awards Expended 06-30-20
Department of Agriculture					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast Program			FY2018-2019	$ 103,128	$ -
School Breakfast Program			FY2019-2020	-	87,965
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast Program			FY2019-2020	-	60,504
Total - School Breakfast Program				103,128	148,469
National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			FY2018-2019	295,359	-
National School Lunch Program			FY2019-2020	-	214,869
Commodities			FY2018-2020	51,765	48,012
Sub-Total National School Lunch Program				347,124	262,881
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			FY2019-2020	-	102,323
Total National School Lunch Program				347,124	365,204
Total - Child Nutrition Cluster				450,252	513,673
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579	FY2018-2020	39,408	20,558
Total - Department of Agriculture				489,660	534,231
Department of Education					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Special Education IDEA FY19			19611006PN01	214,663	51,216
Special Education IDEA FY20			H027A190084	-	225,926
Total - Special Education Grants to States				214,663	277,142
Total - Special Education Cluster (IDEA)				214,663	277,142

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-19	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I 2017-2018			S010A170014	150,371	-
Title I 2018-2019			S010A180014	99,560	118,339
Title I 2019-2020			S010A190014	-	146,861
Total - Title I Grants to Local Educational Agencies				249,931	265,200
Rural Education	Indiana Department of Education	84.358			
Rural and Low Income			S358B170014	19,422	-
Rural and Low Income			S358B190014	-	20,168
Rural and Low Income			S358B180014	-	20,583
Total - Rural Education				19,422	40,751
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Title II - Part A			S367A160013	30,072	-
Title II - Part A			S367A170013	27,639	5,189
Title II - Part A			S367A180013	-	32,144
Total - Supporting Effective Instruction State Grants				57,711	37,333
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV FY17			S424A170015	6,474	22,108
Total - Student Support and Academic Enrichment Program				6,474	22,108
Total - Department of Education				548,201	642,534
Department of Health and Human Services					
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Education	93.778			
IEP			FY19	2,721	-
IEP			FY20	-	356
Total - Medicaid Cluster				2,721	356
Total - Department of Health and Human Services				2,721	356
Total federal awards expended				$ 1,040,582	$ 1,177,121

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

SOUTHWEST PARKE 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.

SOUTHWEST PARKE 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:

Name of Federal Program or Cluster	Opinion Issued
Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts. The Treasurer received payments and ACH notices and posted the receipts in the accounting software. There was no evidence of a review, oversight, or approval process in place to ensure receipts were properly posted.

Criteria

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

> "Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.
>
> An integral part of the control activity component is segregation of duties. . . .
>
> There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls related to receipts.

Effect

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

Views of Responsible Officials

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

FINDING 2020-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit 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 internal controls over the federal award information entered in 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 entered the federal award information into Gateway without a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

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

1. The Commodities for School Lunch were omitted for fiscal year 2018-2019 in the amount of $51,765, and 2019-2020 in the amount of $48,012.

2. The National School Lunch expenditures were overstated for 2018-2019 by $92,466, and 2019-2020 by $80,598.

3. The Special Education Cluster (IDEA) expenditures were overstated for 2018-2019 by $265,766.

4. Several additional grants had individually immaterial errors that resulted in a net understatement of expenditures of $10,933.

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:

(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.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-003

Subject: Child Nutrition Cluster - Cash Management, Eligibility, 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): FY2018-2019, FY2019-2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Special Tests and Provisions - School Food Accounts
Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management, Eligibility, and Special Tests and Provisions - School Food Accounts compliance requirements.

Cash Management

The School Corporation had not established internal controls to monitor the School Lunch fund balances to ensure that the net cash resources did not exceed three months average expenditures.

Eligibility

The Food Service Director input the income guidelines into the software, uploaded the Direct Certifications, and approved the eligibility status of applications without a review, oversight, or approval process to ensure the accuracy of these procedures.

Special Tests and Provisions - School Food Accounts

The School Corporation had not established internal controls to ensure all revenues were accounted for in the School Lunch fund. A school food account had been established for the School Corporation; however, there was no audit evidence of an oversight or review process to ensure revenues were properly recorded. One employee was responsible for posting all revenue without evidence of a review or approval process to ensure accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and Cash Management, Eligibility, and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, 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.

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): FY2018-2019, FY2019-2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. In December 2019, the School Corporation established the Prepaid School Lunch Funds fund (8400) to account for prepaid school lunch account balances. However, the Treasurer did not record monthly transfers based on meals sold from the Prepaid School Lunch Funds fund to the School Lunch fund, for any month except February 2020.

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(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with 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 and the Program Income compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

AUDITEE-PREPARED DOCUMENTS

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

Southwest Parke Community School Corporation
4851 South Coxville Road
Montezuma, IN 47862
Phone: 765-569-2073 Fax: 765-569-0309

Philip T. Harrison, Ph.D.
Superintendent of Schools

Leslie A. Shaffer
Treasurer

Angie Gilstrap
Deputy Treas/Corp Secretary

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal Year of Occurrence: Prior Audit Finding from F16

Status of Audit Finding: The Corporation Treasurer did not have a second reviewer sign off on the report. In addition, some program names were not listed correctly. The Corporation Treasurer feels the reporting did improve but corrective action still needs to take place.

FINDING 2018-002

Fiscal Year of Occurrence: FY 2016-17; FY 2017-18

Status of Audit Finding: A second review of free and reduced applications was not conducted. Only the Corporation Food Service Director approved and verified applications. This issue has been corrected. The Corporation Deputy Treasurer completes a second review of all free and reduced applications.

FINDING 2018-003

Fiscal Year of Occurrence: FY 2016-17; FY 2017-18

Status of Audit Finding: The Corporation Treasurer did set up a separate fund to account for prepaid meals however, monthly transfers were not made back to 0800 based on meals served. In addition, when balancing Fund 8400, a report was not used that included positive, negative and inactive accounts.

FINDING 2018-004

Fiscal Year of Occurrence: FY 2016-17; FY 2017-18

Status of Audit Finding: Corrective action has been taken by the Corporation Food Service Director.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official:
The Corporation Treasurer acknowledges there is not a system in place to check the accuracy of postings for receipts.

Description of Corrective Action Plan:
The Corporation Treasurer will continue to deposit funds and post receipts. However, at the end of each month, the Corporation Treasurer will print a detailed receipt report for the month and the Deputy Treasurer will review the report to ensure posting accuracy. Both will sign and date the report.

Anticipated Completion Date: We plan to incorporate this corrective measure at the end of April 2021.

FINDING 2020-002

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official:
The Corporation Treasurer acknowledges there is not a system in place to check the accuracy of the SEFA report.

Description of Corrective Action Plan:
The Corporation Treasurer will continue to prepare the SEFA report but will have the Superintendent and Deputy Treasurer double check the information for accuracy. All three individuals will sign off after it is deemed the report is accurate.

Anticipated Completion Date: We plan to incorporate this corrective measure for the next SEFA report.

FINDING 2020-003

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official:
The Corporation Treasurer acknowledges there is no reporting to the Board of Trustees in regards to the three-month average of expenditures for the School Lunch Fund.

The Corporation Treasurer acknowledges there is no internal controls in place to double check the Food Service Director's entry of income guidelines, uploading of Direct Certifications and approval of eligibility status of applications.

The Corporation Treasurer acknowledges there was no internal controls concerning the accuracy of revenue postings for the Food Service Account.

Description of Corrective Action Plan:
The Food Service Director will begin adding the 3-month average of expenditures amount to her monthly board report.

The Deputy Treasurer will double check the accuracy of the entries made by the Food Service Director concerning income guidelines, Direct Certification and eligibility status of applications.

The Food Service Director will present the Corporation Treasurer a copy of the monthly reimbursement report that is filed with the State. In turn, the Corporation Treasurer will verify the report and amount to be received with the ACH notice of deposit.

Anticipated Completion Date: We plan to incorporate all above mentioned corrective measures May 1, 2021.

FINDING 2020-004

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official:
The Corporation Treasurer acknowledges the lateness in setting up the 8400 Fund account in addition to the lack of monthly transfers from the 8400 Fund to the 0800 Fund.

Description of Corrective Action Plan:
As of 12/2019, the 8400 Fund was set up by the Corporation Treasurer. All receipts except for state reimbursements, will be deposited to the 8400 Fund. At the end of each month, the Corporation Treasurer will receive reports from the Food Service Director detailing the meals served for the month. In turn, the Corporation Treasurer will transfer the amount associated with those meals served from the 8400 Fund to the 0800 Fund. The Food Service Director will then run reports containing all positive, negative and inactive lunch account balances and the total of this report should coincide with the balance of the 8400 Fund.

Anticipated Completion Date: We plan to adjust the balance of the 8400 Fund at the end of the 2020-2021 school year.

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/.