

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

DECATUR COUNTY COMMUNITY SCHOOLS

DECATUR COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

05/05/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-18
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-23
Corrective Action Plan	24-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Louise S. Smith	07-01-18 to 06-30-21
Superintendent of Schools	Dr. S. Jarrod Burns	07-01-18 to 06-30-21
President of the School Board	Todd Mauer Lizette Bell Joyce Geis	07-01-18 to 12-31-18 01-01-19 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 DECATUR COUNTY COMMUNITY
SCHOOLS, DECATUR 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 Decatur County Community Schools (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 21, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

April 21, 2021



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

TO: THE OFFICIALS OF THE DECATUR COUNTY COMMUNITY SCHOOLS, DECATUR COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Decatur County Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each 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 each of its major federal programs for the period of July 1, 2018 to June 30, 2020.

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

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 items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003, 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.

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

The 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 21, 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 21, 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.

DECATUR COUNTY COMMUNITY SCHOOLS
 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 18-19	\$ -	\$ 130,071	\$ -	\$ -
School Breakfast Program			FY 19-20	-	-	-	75,860
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	-	-	-	37,899
Total - School Breakfast Program				-	130,071	-	113,759
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 18-19	-	514,706	-	-
School Lunch Program			FY 19-20	-	-	-	329,418
Commodities			FY 18-19	-	89,767	-	-
Commodities			FY 19-20	-	-	-	99,118
Sub-Total - National School Lunch Program				-	604,473	-	428,536
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 19-20	-	-	-	67,715
Total - National School Lunch Program				-	604,473	-	496,251
Total - Child Nutrition Cluster				-	734,544	-	610,010
Child and Adult Care Food Program	Indiana Department of Education	10.558					
After School Care Program			FY 19-20	-	-	-	1,985
Commodities				-	-	-	138
Total - Child and Adult Care Food Program				-	-	-	2,123
Total - Department of Agriculture				-	734,544	-	612,133
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
IDEA 16-17			14271-003-PN01	-	1,397	-	-
IDEA 17-18			18611-143-PN01	-	141,593	-	-
IDEA 18-19			19611-143-PN01	-	208,003	-	253,571
IDEA 19-20			20611-143-PN01	-	-	-	211,216
Total - Special Education_Grants to States				-	350,993	-	464,787

DECATUR COUNTY COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education_Preschool Grants	Indiana Department of Education	84.173					
IDEA Preschool 17-18			18619-143-PN01	-	18,156	-	-
IDEA Preschool 18-19			19619-143-PN01	-	18,641	-	-
IDEA Preschool 19-20			20619-143-PN01	-	-	-	12,080
IDEA 16-17 Preschool			45717-003-PN01	-	1,362	-	-
Total - Special Education_Preschool Grants				-	38,159	-	12,080
Total - Special Education Cluster (IDEA)				-	389,152	-	476,867
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017-2018			18-1655	-	44,896	-	-
Title I 2019-2020			18611-001-PN01	-	-	-	158,245
Title I 2018-2019			19-1655	-	242,991	-	50,357
Total - Title I Grants to Local Educational Agencies				-	287,887	-	208,602
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A 2017-2018			S367A170013	-	31,364	-	-
Title II A 2018-2019			S367A180013	-	20,044	-	35,810
Title II A 2019-2020			S367A190013	-	-	-	35,334
Total - Supporting Effective Instruction State Grants				-	51,408	-	71,144
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV A 19-20			2019-424-036	-	-	-	5,601
Title IV A 18-19			S424A180015	-	10,277	-	8,566
Total - Student Support and Academic Enrichment Program				-	10,277	-	14,167
Total - Department of Education				-	738,724	-	770,780
Total federal awards expended				\$ -	\$ 1,473,268	\$ -	\$ 1,382,913

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

DECATUR COUNTY COMMUNITY SCHOOLS
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.

DECATUR COUNTY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Beginning in fiscal year 2019-2020, the School Corporation contracted with a Food Service Management Company (FSMC) to oversee the School Corporation's food service operations. The FSMC purchased food and other supplies on behalf of the School Corporation. Additionally, most food service personnel were employees of the FSMC, not the School Corporation. The FSMC billed the School Corporation monthly and provided detailed ledger reports with the invoices. However, the School Corporation did not review the documentation, such as invoices from the food service vendors or payroll reports, that supported the invoices from the FSMC to ensure that program funds were used for allowable activities and allowable costs.

The lack of internal controls was isolated to 2019-2020.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

DECATUR COUNTY COMMUNITY SCHOOLS
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 2020-002

Subject: Child Nutrition Cluster - Procurement

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: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

Group Purchasing Organization

The School Corporation was a member of a Group Purchasing Organization (GPO) which solicited, evaluated, and awarded bids for commodities and cafeteria products on behalf of its members. The GPO is considered a single source for the goods procured by the members of the GPO. The School Corporation did not solicit additional bids or proposals from an adequate number of sources for purchases of goods or services exceeding the \$150,000 simplified acquisition threshold. The School Corporation did not have an effective internal control system in place to ensure that these bids were obtained as required. Beginning in fiscal year 2019-2020, the School Corporation contracted with a Food Service Management Company (FSMC.) The FSMC conducted this bidding on behalf of the School Corporation.

Food Service Management Company

Beginning in 2019-2020, the School Corporation contracted with the FSMC to oversee the School Corporation's food service operations. The FSMC purchased food and other supplies on behalf of the School Corporation. Additionally, most food service personnel were employees of the FSMC, not the School Corporation. The FSMC billed the School Corporation monthly and provided detailed ledger reports with the invoices. However, the School Corporation did not review the documentation, such as invoices from the food service vendors or payroll reports, that supported the invoices from the FSMC to ensure that the School Corporation received what the contractor committed to supply.

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

The lack of internal controls and noncompliance related to the FSMC were isolated to 2019-2020.

DECATUR COUNTY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

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

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

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised; . . ."

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources; . . ."

2 CFR 200.318(b) states: "Non-federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

DECATUR COUNTY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2020-003

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14271-003-PN01, 18611-143-PN01,
19611-143-PN01, 20611-143-PN01,
18619-143-PN01, 19619-143-PN01,
20619-143-PN01, 45717-003-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications for all employees paid solely from Special Education grant funds. There were no Semi-Annual Certifications maintained by the School Corporation during the audit period.

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:

DECATUR COUNTY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.430(i) states in part:

"(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles 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.



2020 N. Montgomery Road
Greensburg, IN 47240
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www.decaturo.k12.in.us

Summary Schedule of Prior Audit Findings

FINDING 2018-001

Fiscal year in which the finding initially occurred: 14-15

Status of Audit Finding: Corrected

We now have a copy of the Trust document.

Internal controls have been written and implemented relating to financial transactions as of December, 2019.

Administration

Superintendent

Jarrold Burns, Ph.D.

Assistant Superintendent

Nicholas Flowers, Ed.S.

Business Manager

Weedie Smith

Director of Transportation

Kathy Land

Data Manager

Jeni Niese

Deputy Treasurer

Kathy Wiggins

Bookkeeper

Amy Hacker

Louise S. Smith
Business Manager

Board of School Trustees

Todd Mauer

Joyce Geis

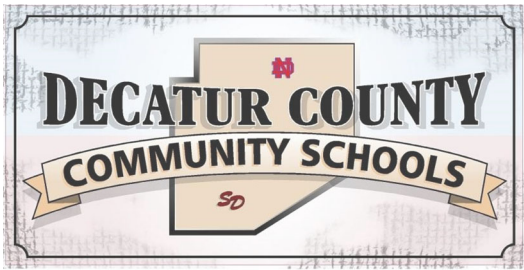
Lizette Bell

Chris Owens

Steve AmRhein

Tim Roscoe

Matt Hoeing



2020 N. Montgomery Road
Greensburg, IN 47240
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Summary Schedule of Prior Audit Findings

FINDING 2018-002

Fiscal year in which the finding initially occurred: 16-17

Status of Audit Finding: Corrected

Segregation of Duties: The monthly bank statement is reviewed by the Executive Secretary/Transportation Director. Details of various transactions are provided to the reviewer to verify correctness. Adjustments are reviewed and approved by the Assistant Superintendent. This process was started in March, 2019 when directed through the prior audit conference.

Internal controls have been written and implemented relating to financial transactions as of December, 2019.

Louise S. Smith
Business Manager

Administration

Superintendent

Jarrold Burns, Ph.D.

Assistant Superintendent

Nicholas Flowers, Ed.S.

Business Manager

Weedie Smith

Director of Transportation

Kathy Land

Data Manager

Jeni Niese

Deputy Treasurer

Kathy Wiggins

Bookkeeper

Amy Hacker

Board of School Trustees

Todd Mauer

Joyce Geis

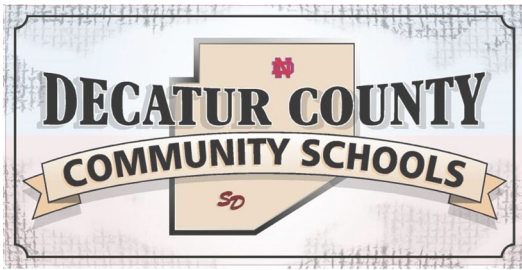
Lizette Bell

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Summary Schedule of Prior Audit Findings

FINDING 2018-003

Fiscal year in which the finding initially occurred: 13-14

Status of Audit Finding: Corrected

Starting with the 2018-19 school year, the Business Manager calculates the 3 month average expenditures for the Child Nutrition Program and the Data Manager reviews and signs this calculation. Starting in October 2018, the Data Manager prepares a monthly spreadsheet recording the school lunch fund balances for each of the four schools and central office. This spreadsheet is reviewed by the Business Manager and compared to the calculated three month average expenditures for the previous school year. This review is documented and retained for auditor review.

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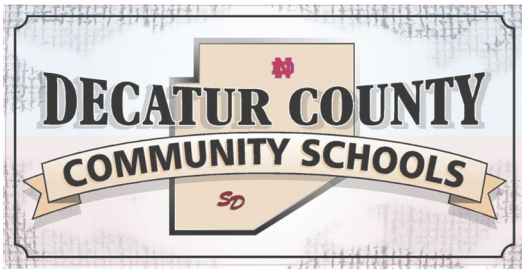
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Summary Schedule of Prior Audit Findings

FINDING 2018-004, FINDING 2018-005

Fiscal year in which the finding initially occurred: 15-16

Status of Audit Finding: Corrected

The Procurement policy was approved by the DCCS school board on November 14, 2018. The Food Service Director is responsible for contacting potential vendors when small purchases are needed. Awards are granted with price having the highest weight and with all documentation being kept by the Food Service Director for audit review. A food service management company started on July 1, 2019 to handle all matters in food service with the Business Manager and Data Manager overseeing.

The procurement policy also applies to our IDEA grants. Necessary quotes or bids are obtained for the appropriate level of purchase, unless those procurements are made to vendors we consider to be sole source providers due to the unique nature of those procurements.

The Data Manager runs vendors through the SAM system on a quarterly basis to ensure they are not on the Suspension and Debarment list. Starting March 2019, the vendors that have a potential of having purchases over \$25,000 are checked prior to ordering. The list of vendors checked is reviewed by the Business Manager and maintained for auditor review.

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Corrective Action Plan

FINDING 2020-001

Contact Person Responsible for Corrective Action: Louise S. Smith, Business Manager; Jeni Niese, Data Manager
Contact Phone number: 812-663-4595

Views of Responsible Official: Agree with the finding and corrective action has been implemented.

Description of Corrective Action Plan: Effective March 1, 2021, internal controls have been implemented to correct the finding as follows: Data Manager selects five (5) line items from the Operating Ledger from the Food Service Management Company (FSMC) to trace to source documents. The reviewer is checking for allowable activities, allowable costs and appropriate use of the program funds. This review is documented on the FSMC invoice by the Data Manager's initials and date of review. This documentation is maintained by the Business Manager for auditor review.

Anticipated Completion Date: March 10, 2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Louise S. Smith, Business Manager
Contact Phone Number: 812-663-4595

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: As stated in our Corrective Action Plan for Finding 2020-001, internal controls have been implemented and a sample of invoices are reviewed monthly for allowable cost/activity and an appropriate purchase.

As stated in the finding the definition of a GPO is "...a Group Purchasing Organization (GPO) which solicited, evaluated, and awarded bids for commodities and cafeteria products on behalf of its members." The whole nature of a GPO is to collect bids and receive the best price for its members. For this reason we thought we were in compliance with the procurement procedures. We now know that a GPO is considered a single source, thus only a single bid. We followed the established procurement method for soliciting bids for bread and milk for the 2018-2019 fiscal year, however, other commodities and cafeteria products were purchased through the GPO. When purchases requiring bids are made using a GPO, it will be considered a single bid. Starting with fiscal year 2019-2020, Decatur County Community Schools contracted with a Food Service Management Company (FSMC) that is managing purchases. We will monitor the procurement methods to determine that the proper procedures are followed.

Anticipated Completion Date: March 10, 2021

FINDING 2020-003

Contact Person Responsible for Corrective Action: Louise S. Smith, Business Manager; Nicholas Flowers, Director of Special Education
Contact Phone Number: 812-663-4595

Administration

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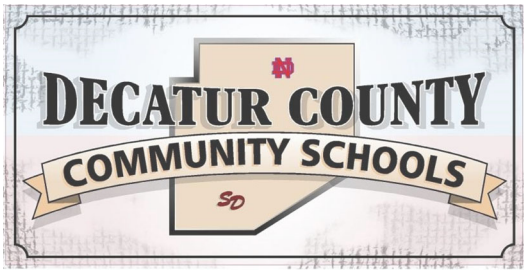
Lizette Bell

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Views of Responsible Official: We concur with this finding.

Corrective Action Plan: Procedures have been established to maintain a Semi-Annual Certification for all employees paid solely from Special Education grant funds. Those employees being paid from multiple sources will complete a Time and Effort Log detailing their time worked on Special Education activities. These forms will be maintained by the Director of Special Education for auditor review.

Anticipated Completion Date: March 29, 2021

If there are any questions, my contact information is listed below.

Louise S. Smith
Business Manager
812-663-4595
wsmith@decaturco.k12.in.us

S. Jarrod Burns, Ed D
Superintendent
812-663-4595
jburns@decaturco.k12.in.us

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/>.