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

FEDERAL COMPLIANCE AUDIT REPORT

OF

DANVILLE COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2018 to June 30, 2020

FILED
05/05/2021

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Kimberly Baker	07-01-18 to 06-30-21
Chief Financial Officer	Matthew Parkinson	05-13-19 to 06-30-21
Superintendent of Schools	Dr. Tracey Shafer	07-01-18 to 06-30-21
Assistant Superintendent of Schools	Tom Johnson	07-08-18 to 02-28-19
President of the School Board	Dr. Michael C. Beaty	07-01-18 to 12-31-19
	Matt Steward	01-01-20 to 12-31-20
	Cory Mason	01-01-21 to 06-30-21

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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 DANVILLE COMMUNITY SCHOOL CORPORATION, HENDRICKS 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 Danville 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 22, 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
Paul D. Joyce, CPA
State Examiner

April 22, 2021

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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 DANVILLE COMMUNITY SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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.

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 2020-004. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, and 2020-004 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, to be a significant deficiency.

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 22, 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 22, 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.

DANVILLE 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					
School Breakfast Program			SY18-19	$ -	$ 124,945	$ -	$ -
School Breakfast Program			SY19-20	-	-	-	92,941
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
FY 2019-20 National School Breakfast Program			SY19-20	-	-	-	6,787
Total - School Breakfast Program				-	124,945	-	99,728
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			SY18-19	-	440,879	-	-
School Lunch Program			SY19-20	-	-	-	340,808
Commodities				-	89,767	-	83,571
Sub-Total - National School Lunch Program				-	530,646	-	424,379
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
FY 2019-20 National School Lunch Program			SY19-20	-	-	-	22,163
Total - National School Lunch Program				-	530,646	-	446,542
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			SY18-19	-	24,129	-	-
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
FY 2019-20 Summer Food Service Program			SY19-20	-	-	-	126,931
Total Summer Food Service Program for Children				-	24,129	-	126,931
Total - Child Nutrition Cluster				-	679,720	-	673,201
Total - Department of Agriculture				-	679,720	-	673,201
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
IDEA Part B 611 Grant FY 2018			18611-119-PN01	-	89,370	-	-
IDEA Part B 611 Grant FY 2018 FY 19			19611-119-PN01	-	485,137	-	-
IDEA Part B 611 Grant FY 2020			20611-119-PN01	-	-	-	437,268
Total - Special Education_Grants to States				-	574,507	-	437,268

DANVILLE 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
Special Education_Preschool Grants	Indiana Department of Education	84.173					
FY2019 Preschool Part B 619 Grant			19619-119-PN01	-	15,074	-	-
Part B Section 619 for Special Education FY2020			20619-119-PN01	-	-	-	15,625
Total - Special Education_Preschool Grants				-	15,074	-	15,625
Total - Special Education Cluster (IDEA)				-	589,581	-	452,893
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017-18			S010A170014	-	51,944	-	-
Title 1 2018-19			S010A180014	-	160,970	-	-
Title I 2019-20			S010A190014	-	-	-	76,358
Total - Title I Grants to Local Educational Agencies				-	212,914	-	76,358
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II A FFY 2016			S367A160013	-	36,062	-	-
Title II A FFY 2018			S367A170013	-	23,683	-	-
Title II A FFY 2017			S367A170013	-	38,109	-	-
Title II A FFY 2018			S367A170013	-	-	-	14,451
Title II A FFY 2019			S367A190013	-	-	-	29,886
Total - Supporting Effective Instruction State Grants				-	97,854	-	44,337
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV A Student Support and Academic Enrichment Grant 2018			S424A180015	-	3,680	-	-
Title IV Part A FFY2018			S424A180015	-	-	-	6,041
Title IV Part A FY19			S424A190015	-	-	-	3,673
Total - Student Support and Academic Enrichment Program				-	3,680	-	9,714
Total - Department of Education				-	904,029	-	583,302
Total federal awards expended				$ -	$ 1,583,749	$ -	$ 1,256,503

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

DANVILLE 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.

DANVILLE 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Name of Federal Program or Cluster	Opinion Issued
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Eligibility, Special Tests and Provisions - Paid Lunch Equity
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): SY18-19, SY19-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Eligibility, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding over Eligibility from the immediately prior audit report. The prior audit finding number was 2018-004.

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

Activities Allowed or Unallowed

The School Corporation had not designed or implemented internal controls to ensure that payroll benefits paid from the School Lunch fund were for employees working within the program. Payroll benefits were paid without an oversight, review, or approval process.

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

Eligibility

The School Corporation had not designed or implemented adequate internal controls to ensure that the determination of the application for free or reduced price meals was correct. An oversight, review, or approval process had not been established for online applications submitted.

Direct certifications for free price meals were input monthly by the Director of Food Services. An oversight, review, or approval process had not been established to ensure direct certifications were properly input into the food service software.

The lack of internal controls over applications was a systemic issue during fiscal year 2018-2019. The lack of internal controls over the direct certifications was a systemic issue that occurred throughout the audit period.

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

The Paid Lunch Equity exemption applications were prepared by the Director of Food Service without a system of oversight or review.

The lack of internal controls was a systemic issue that 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 designed or implemented 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 of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Activities Allowed or Unallowed, Eligibility, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2020-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions School Food Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, 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): SY18-19, SY19-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts
Audit Findings: Material Weakness, 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, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

There were no internal controls in place to ensure that only applicable employees were paid from program funds. The School Corporation paid $14,800 of the Treasurer's salaries/wages from the School Lunch fund based on fixed percentages. There was no supporting documentation to indicate how these amounts were determined.

There were no internal controls in place to ensure that payroll benefits paid from the School Lunch fund were for employees working within that program. Payroll benefits were paid without an oversight, review, or approval process. Six of forty payroll benefit payments tested, totaling $1,247, did not have supporting documentation.

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

2 CFR 200.403 states in part:

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

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

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

(iii) Reasonably reflect the total activity for which the employee is compensated by the non- Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

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

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:

(1)(i) Maintain a nonprofit school food service; . . .

(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.); . . ."

7 CFR 210.14(a) states in part:

"*Nonprofit school food service*. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the compliance requirements listed above.

Effect

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

Questioned Costs

Questioned costs of $14,800 were identified for the audit period, as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

FINDING 2020-003

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance
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): 18611-119-PN01, 19611-119-PN01, 20611-119-PN01, 19619-119-PN01, 20619-119-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Period of Performance
Audit Finding: Material Weakness

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 Period of Performance compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

There were no internal controls in place to ensure that payroll benefits paid from the special education funds were for employees working within those programs. Payroll benefits were paid without an oversight, review, or approval process, or other compensating control.

Period of Performance

The School Corporation had not properly developed or implemented an internal control process to ensure transfers were within the period of performance. Transfers were made without an oversight, review, or approval process, or other compensating control.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the compliance requirements listed above.

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.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

Views of Responsible Officials

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

FINDING 2020-004

Subject: Special Education Cluster (IDEA) - Suspension and Debarment
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): 18611-119-PN01, 19611-119-PN01, 20611-119-PN01, 19619-119-PN01, 20619-119-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 2018-006.

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 Procurement and Suspension and Debarment compliance requirement.

No internal controls were identified, which would have prevented the School Corporation from conducting business with a vendor who was suspended or debarred from participation in federal programs. The School Corporation did not verify suspension or debarment for two vendors of the special education program.

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). . . ."

2 CFR 180.300 states:

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

You do this by:

(a) Checking SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001
Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Corrected.

FINDING 2018-002
Fiscal year in which the finding initially occurred: 2016
Status of Audit Finding: Corrected.

FINDING 2018-003
Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Corrected.

FINDING 2018-004
Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Partially Corrected.

Finding 2018-004 Partial Correction Explanation

The prior audit report was delivered in May 2019. In that report, SBOA issued a finding noting that DCSC did not have appropriate controls in place to verify that online applications for free and reduced meals were reviewed by multiple parties.

During the current audit period, which spans July 1, 2018 – June 30, 2020, DCSC again did not have similar controls in place between July 1, 2018 and delivery of the prior audit report in May 2019. As soon as the report was received in May 2019, DCSC took corrective action.

Management understands that this may be a repeat finding for the time period prior to delivery of the prior report, however management also notes that as soon as it became aware of the issue during the present audit period, the issue was rectified. DCSC now requires a second review signature on online applications.

FINDING 2018-005
Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Corrected.

FINDING 2018-006
Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Partially Corrected.

Finding 2018-006 Partial Correction Explanation

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924
www.danville.k12.in.us

The prior audit report was delivered in May 2019. In that report, SBOA issued a finding noting that DCSC did not have appropriate controls in place to prevent DCSC from conducting business with a vendor who was suspended or debarred.

During the current audit period, which spans July 1, 2018 – June 30, 2020, DCSC again did not have similar controls in place between July 1, 2018 and delivery of the prior audit report in May 2019. As soon as the report was received in May 2019, DCSC took corrective action.

Management understands that this may be a repeat finding for the time period prior to delivery of the prior report, however management also notes that as soon as it became aware of the issue during the present audit period, the issue was rectified. DCSC now requires contract language in place to serve as a control for this issue.

DANVILLE
COMMUNITY SCHOOL CORPORATION

CORRECTIVE ACTION PLAN

FINDING 2020-001
Contact Person Responsible for Corrective Action: Matthew Parkinson
Contact Phone Number: 317-745-2212

Views of Responsible Official: We concur with these findings.

Description of Corrective Action Plan:

Beginning with the payroll of 4/30/21, a payroll report will be generated indicating the breakdown of account numbers for those staff members who are paid with federal grant money. This report will be reviewed and initialed by the corporation treasurer and CFO. The reports will be kept on file for auditing purposes.

Beginning 4/22/21, any revenue or expenditure transfer adjustments made to our federal grants will be documented and initialed by our corporation treasurer and CFO. The reports will be kept on file for auditing purposes.

100% of both online and paper applications for free/reduced meal applications have been double-checked and signed since the end of the last SBOA audit in April 2019. This includes the printing of all online applications. The food service secretary compares reported household income to the income eligibility guidelines and then compares this to the computer. If the application is not income based, she will check the categorical status or direct certification status.

100% of both online and paper applications for free/reduced meal applications have been double-checked and signed since the end of the last SBOA audit. This includes meal applications that were directly certified. We will continue to have a second check on these applications.

Paid Lunch Equity Tool- As an internal control, the school corporation will have a second calculation and signature when the PLE tool is completed each year. The second check will be completed by either the food service secretary, treasurer, or CFO.

Anticipated Completion Date:

The payroll correction will begin on 4/30/21. The transfer documentation will begin 4/22/21.

The completion date of a second check of the direct certification applications dates back to April 2019 when the last SBOA audit occurred. Management will continue to check 100% of these applications.

The completion date of a second check of the direct certification applications dates back to April 2019 when the last SBOA audit occurred. Management will continue to check 100% of these applications.

The 2021-22 PLE tool has not yet been released. The second check will be completed when it is released, which should be within a month or two.

FINDING 2020-002
Contact Person Responsible for Corrective Action: Matthew Parkinson, CFO
Contact Phone Number: 317-745-2212

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The corporation treasurer's salary and benefits are no longer charged to the child nutrition cluster effective 8/7/2020.

Beginning with the payroll of 4/30/21, a payroll report will be generated indicating the breakdown of account numbers for those staff members who are paid with federal grant money. This report will be reviewed and initialed by the corporation treasurer and CFO. The reports will be kept on file for auditing purposes.

Effective 4/19/2021, DCSC's payroll distribution report was reviewed by the corporation treasurer to ensure our payroll benefits, ie, FICA and PERF were designated to the appropriate fund, cost center and location code.

Anticipated Completion Date: Payroll report to be generated for review effective 4/30/2021.

Payroll distribution report was reviewed for accounting verification of payroll benefits effective 4/19/2021.

FINDING 2020-003
Contact Person Responsible for Corrective Action: Matthew Parkinson, CFO
Contact Phone Number: 317-745-2212

Views of Responsible Official: We concur with these findings.

Description of Corrective Action Plan:

Beginning with the payroll of 4/30/21, a payroll report will be generated indicating the breakdown of account numbers for those staff members who are paid with federal grant money. This report will be reviewed and initialed by the corporation treasurer and CFO. The reports will be kept on file for auditing purposes.

Beginning 4/22/21, any revenue or expenditure transfer adjustments made to our federal grants will be documented and initialed by our corporation treasurer and CFO. The reports will be kept on file for auditing purposes.

Anticipated Completion Date: The payroll correction will begin on 4/30/21. The transfer documentation will begin 4/22/21.

FINDING 2020-004
Contact Person Responsible for Corrective Action: Matthew Parkinson, CFO
Contact Phone Number: 317-745-2212

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding has been corrected and will be corrected moving forward. Future contracts will include language specifying that the contractor may not be suspended nor debarred.

Please note that this finding was identified in the May 2019 audit report and was immediately corrected in the summer 2019 contract. Management will verify that suspension and debarment language remains in future contracts.

Anticipated Completion Date: Completed in summer 2019.

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/.