

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WHITKO COMMUNITY SCHOOL CORPORATION

KOSCIUSKO COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
05/13/2021

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.....	13-17
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-25
Corrective Action Plan	26-27
Other Reports.....	28

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	(Vacant)	07-01-18 to 08-19-18
	Doretta Buuck	08-20-18 to 11-19-18
	Shannon Ebbinghouse	11-20-18 to 05-07-21
	(Vacant)	05-08-21 to 06-30-21
Superintendent of Schools	Nicke Eccles (interim)	07-01-18 to 09-30-18
	Dr. Brandon Penrod	10-01-18 to 02-18-21
	Steve Darnell (interim)	02-19-21 to 06-30-21
President of the School Board	Jorell Tucker	07-01-18 to 12-31-18
	Carrie Hoffman	01-01-19 to 12-31-20
	Lynn Plummer-Studebaker	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 WHITKO COMMUNITY SCHOOL
CORPORATION, KOSCIUSKO 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 Whitko 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 May 5, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

Whitko Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 5, 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 WHITKO COMMUNITY SCHOOL CORPORATION, KOSCIUSKO COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Whitko 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.

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 item 2020-002. 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 item 2020-002, that we consider to be material weaknesses.

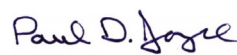
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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.

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)

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 May 5, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

May 5, 2021

(This page intentionally left blank.)

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.

WHITKO 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2018-2019	\$ -	\$ 60,484	\$ -	\$ -
School Breakfast Program			FY 2019-2020	-	-	-	45,656
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2019-2020	-	-	-	29,881
Total - School Breakfast Program				-	60,484	-	75,537
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2018-2019	-	290,434	-	-
Commodities			FY 2019-2020	-	-	-	205,929
Commodities			FY 2018-2019	-	60,020	-	-
Commodities			FY 2019-2020	-	-	-	58,485
Sub-total - National School Lunch Program				-	350,454	-	264,414
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2019-20	-	-	-	58,566
Total - National School Lunch Program				-	350,454	-	322,980
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food			FY 2018-19	-	3,539	-	-
Total - Child Nutrition Cluster				-	414,477	-	398,517
Total - Department of Agriculture				-	414,477	-	398,517
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Spec Ed Part B 611 2017 - 19			18611-115-PN01	-	133,804	-	-
Spec Ed Part B 611 2018 - 20			19611-115-PN01	-	250,935	-	120,579
Spec Ed Part B 611 2019 - 21			20611-115-PN01	-	-	-	196,976
Total - Special Education Grants to States				-	384,739	-	317,555
Special Education Preschool Grants	Indiana Department of Education	84.173					
Spec Ed Preschool 619 2017 - 19			18619-115-PN01	-	2,128	-	-
Spec Ed Preschool 619 2018 - 20			19619-115-PN01	-	8,201	-	-
Total - Special Education Preschool Grants				-	10,329	-	-
Total - Special Education Cluster (IDEA)				-	395,068	-	317,555

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017 - 18			S010A170014	-	184,419	-	-
Title I 2018 - 19			S010A180014	-	202,083	-	131,277
Title I 2019 - 20			S010A190014	-	-	-	178,114
Total - Title I Grants to Local Educational Agencies				-	386,502	-	309,391
English Language Acquisition State Grants	Bremen Public Schools	84.365					
Title III English Language Acquisition Grant 2017 - 2018			FY 2017	-	2,003	-	-
Title III English Language Acquisition Grant 2017 - 2019			FY 2018	-	139	-	3,563
Total - English Language Acquisition State Grants				-	2,142	-	3,563
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality 2016 - 17			16-4455	-	18,590	-	-
Title II Improving Teacher Quality 2017 - 19			17-4455	-	9,284	-	38,396
Title II Improving Teacher Quality 2018 - 20			18-4455	-	-	-	18,817
Title II Improving Teacher Quality 2019 - 21			19-4455	-	-	-	17,075
Total - Supporting Effective Instruction State Grants				-	27,874	-	74,288
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Student Support Grant 2017 - 19			17-4455	-	25,240	-	38,180
Title IV Student Support Grant 2018 - 20			18-4455	-	-	-	20,571
Total - Student Support and Academic Enrichment Program				-	25,240	-	58,751
Total - Department of Education				-	836,826	-	763,548
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
IEP			2018-2019	-	56,421	-	-
IEP			2019-2020	-	-	-	34,609
MAC			2018-2019	-	24,552	-	-
MAC			2019-2020	-	-	-	22,208
Total - Medical Assistance Program				-	80,973	-	56,817
Total Medicaid Cluster				-	80,973	-	56,817
Total - Department of Health and Human Services				-	80,973	-	56,817
Total federal awards expended				\$ -	\$ 1,332,276	\$ -	\$ 1,218,882

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

WHITKO 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.

WHITKO 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 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:

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

FINDING 2020-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

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

1. The Child Nutrition Cluster omitted commodities for fiscal year 2018-2019, which understated expenditures by \$60,020. Additionally, commodities for 2019-2020 were overstated by \$2,127.
2. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$90,347 in total.
3. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 . . ."

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

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*.

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Special Education Cluster - Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-115-PN01, 19611-115-PN01,
20611-115-PN01

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, 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 Procurement and Suspension and Debarment compliance requirement.

There were no internal controls to ensure that the School Corporation complied with the grant agreement to verify that applicable vendors were not suspended or debarred from participation in federal awards. The School Corporation entered into a contract that exceeded \$25,000 for psychological services. The School Corporation did not perform procedures to ensure that the vendor was not suspended or debarred from participation in federal awards.

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.

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

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

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 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 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 an internal control system to ensure compliance 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.

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENTS

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

BOARD OF SCHOOL TRUSTEES

Lynn Stuebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-001

Fiscal year in which the finding occurred: 2018

Status of Audit Finding:

We have a segregation of duties in place for time card review by departments and or individual school levels before they are sent to the Payroll Specialist. As an added step of control, the Payroll Specialist also reviews time cards for any possible discrepancies. If discrepancies are found, they are discussed and resolved accordingly. Once the second review is completed by the Payroll Specialist, the Superintendent also reviews and then signs his approval for processing. Following the three reviews, the Payroll Specialist proceeds with processing payroll.

BOARD OF SCHOOL TRUSTEES

Lynn Stuebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-002

Fiscal year in which the finding occurred 2018

Status of Audit Finding:

We have reviewed and revised the internal control for the Child Nutrition Cluster, with a new check and balance system in place. The corporation Treasurer, Shannon Ebbinghouse, prepares the Annual Financial Report, PLE and Non-Program food reports. They are verified by the Food Service Director Shelley Badskey. The monthly school lunch claims, cafeteria balances and prepaid food fund balance reports are prepared by the corporation Treasurer, Shannon Ebbinghouse and verified by the Food Service Director, Shelley Badskey. These reports are approved monthly by the School Board at the regular scheduled monthly session. There is a daily lunch cafeteria deposit form completed by the head cashier and reviewed by the cafeteria manager before the head cashier takes the deposit to the bank and then reviewed again by the Corporation Treasurer after the deposit. At this point, the entry into the financials is processed by the Corporation Treasurer. Each daily café lunch deposit form completed by the head cashier includes the actual validated deposit ticket from the banking facility for a check and balance procedure.

Eligibility forms are prepared by the employee responsible for Food Services Collections and reviewed by the Food Service Director, Shelley Badskey. These procedures have been set in place and implemented as of March 31, 2019.

BOARD OF SCHOOL TRUSTEES

Lynn Studebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-003

Fiscal year in which the finding occurred: 2018

Status of Audit Finding:

The indirect costs which included custodian salaries and utility costs that were charged to the food service program are no longer charged to the grant during the current audit period.

BOARD OF SCHOOL TRUSTEES

Lynn Studebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-004

Fiscal year in which the finding occurred: 2018

Status of Audit Finding:

Whitko Community Schools created and submitted to the Department of Education a spend down plan on July 23, 2020 to reduce net cash resources that exceeded the 3-month average expenditures in the School Lunch fund.

The spend down plan included the following purchases:

- 1) New POS terminals were purchased September 30, 2020 along with new bar code scanners at all three buildings, South Whitley Elementary, Pierceton Elementary and Whitko Jr/Sr High School.
- 2) We are currently serving higher quality proteins as well as more diverse fruits and vegetables.
- 3) We have increased spending on prepackaged and carry out supplies.
- 4) Café staff hours have been increased along with staggered serving times due to Covid.
- 5) We have increased spending on PPE, plexus-glass, mask and gloves due to Covid.
- 6) We are still intending to hire a Food Service Director. This hiring process has been delayed due to Covid.
- 7) We are in the process of purchasing two water bottle filling stations in cafés for two of our buildings.

The Covid-19 shutdown from mid-March to June 30, 2020 had an undeniable slow down effect to the projected spend down plan however, with our reopening we will continue our diligence on this matter. Conscious effort to reduce the fund balance is an ongoing process for Whitko Community Schools.

BOARD OF SCHOOL TRUSTEES

Lynn Stuebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-005

Fiscal year in which the finding occurred: 2018

Status of Audit Finding:

Starting March 31, 2019 the confirmation of a grant(s) that are paying for the position written for said grant(s) has been revised to require that employee to complete time and effort logs as necessary.

BOARD OF SCHOOL TRUSTEES

Lynn Studebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING: 2018-006

Fiscal year in which the finding occurred: 2018

Status of Audit Finding:

Whitko Community Schools has software that will document the completion of a Comprehensive Needs Assessment. Starting March 31, 2019 signatures are required on sign in sheets for all professional development meetings.

BOARD OF SCHOOL TRUSTEES

Lynn Stuebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Shannon Ebbinghouse, Treasurer
Contact Phone Number: (260) 327-3677

Whitko concurs with the finding and beginning with the 2021 Annual Financial Report, the superintendent shall review all documents related to the corporation's SEFA submission and shall provide direct oversight for detection and correction of errors prior to submission.

The completion date for this corrective action will be June 1, 2021.

BOARD OF SCHOOL TRUSTEES

Lynn Stuebaker
President

Bill Patrick
Vice-President

Annette Arnold
Secretary

Scott Werstler
Member

Georgia Tenney
Member

CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Ward Lamon, Special Education Director
Contact Phone Number: (260) 327-3677

Whitko Community Schools concurs with the finding and will meet and maintain suspension and debarment requirements per internal control procedures over Federal awards through the use of the following steps:

1. Whitko Community Schools will use the System for Award Management (SAM.gov) website to determine if a contractor is suspended or debarred.
2. Include suspension and debarment terminology in all contracts with vendors receiving compensation through Federal awards.

The completion date for this corrective action will be June 1, 2021.

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.