

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

EASTERN GREENE SCHOOLS

GREENE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
05/20/2021

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 the 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 |
| Corrective Action Plan | 21-22 |
| Other Reports..... | 23 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|------------------------------|----------------------|
| Treasurer | Marilyn Burch | 07-01-18 to 04-30-19 |
| | Jill Martin | 05-01-19 to 12-18-20 |
| | (Vacant) | 12-19-20 to 12-31-20 |
| | Marilyn Burch | 01-01-21 to 06-30-21 |
| Superintendent of Schools | Arthur T. Baechtold, Jr | 07-01-18 to 06-30-19 |
| | Dr. Carolyn Milner (interim) | 07-01-19 to 11-03-19 |
| | Trenton Provo | 11-04-19 to 06-30-21 |
| President of the School Board | Ron Childress | 07-01-18 to 12-31-18 |
| | Duane Long | 01-01-19 to 12-31-19 |
| | Troy Fields | 01-01-20 to 12-31-20 |
| | Scott Carmichael | 01-01-21 to 02-16-21 |
| | Matt Roberts | 02-17-21 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 EASTERN GREENE SCHOOLS, GREENE 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 Eastern Greene 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 May 11, 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.

Eastern Greene Schools' 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 11, 2021



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

TO: THE OFFICIALS OF THE EASTERN GREENE SCHOOLS, GREENE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Eastern Greene 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 its major federal program for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2018 to June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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 11, 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 11, 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.

EASTERN GREENE 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 Lunch Program/0800 | | | FY 18-19 | \$ - | \$ 86,680 | \$ - | \$ - |
| School Lunch Program/0800 | | | FY 19-20 | - | - | - | 54,896 |
| COVID-19 School Breakfast Program | Indiana Department of Education | 10.553 | | | | | |
| National School Breakfast Program | | | FY19-20 | - | - | - | 4,292 |
| Total - School Breakfast Program | | | | - | 86,680 | - | 59,188 |
| National School Lunch Program | Indiana Department of Education | 10.555 | | | | | |
| School Lunch Program/0800 | | | FY 18-19 | - | 268,839 | - | - |
| School Lunch Program/0800 | | | FY 19-20 | - | - | - | 167,338 |
| Commodities | | | FY 18-19 & FY19-20 | - | 75,207 | - | 57,812 |
| Sub-Total - National School Lunch Program | | | | - | 344,046 | - | 225,150 |
| COVID-19 National School Lunch Program | Indiana Department of Education | 10.555 | | | | | |
| National School Lunch Program | | | FY19-20 | - | - | - | 13,581 |
| Total - National School Lunch Program | | | | - | 344,046 | - | 238,731 |
| Summer Food Service Program for Children | Indiana Department of Education | 10.559 | | | | | |
| School Lunch Program/0800 | | | FY 18-19 | - | 5,035 | - | - |
| School Lunch Program/0800 | | | FY 19-20 | - | - | - | 6,493 |
| COVID-19 Summer Food Service Program for Children | Indiana Department of Education | 10.559 | | | | | |
| Summer Food Service Program | | | FY 19-20 | - | - | - | 139,303 |
| Total - Summer Food Service Program for Children | | | | - | 5,035 | - | 145,796 |
| Total - Child Nutrition Cluster | | | | - | 435,761 | - | 443,715 |
| Child and Adult Care Food Program | Indiana Department of Education | 10.558 | | | | | |
| School Lunch Program/0800 | | | FY 19-20 | - | - | - | 8,156 |
| Total - Department of Agriculture | | | | - | 435,761 | - | 451,871 |
| <u>Department of Education</u> | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education_Clants to States | Indiana Department of Education | 84.027 | | | | | |
| Special Education Cluster (IDEA) | | | 14217-047-PN01 | - | 50,242 | - | - |
| Special Education Cluster (IDEA) | | | 18611-047-PN01 | - | 53,512 | - | - |
| Special Education Cluster (IDEA) | | | 18611-047-PN01 | - | - | - | 52,718 |
| Special Education Cluster (IDEA) | | | 19611-047-PN01 | - | 71,291 | - | - |
| Special Education Cluster (IDEA) | | | 19611-047-PN01 | - | - | - | 187,831 |
| Special Education Cluster (IDEA) | | | 20611-045-PN01 | - | - | - | 158,849 |
| Total - Special Education_Clants to States | | | | - | 175,045 | - | 399,398 |

EASTERN GREENE 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 | | | | | |
| Special Education Cluster (IDEA) | | | 18619-049-PN01 | - | 5,083 | - | - |
| Special Education Cluster (IDEA) | | | 18619-097-PN01 | - | - | - | 816 |
| Special Education Cluster (IDEA) | | | 19619-047-PN01 | - | 3,919 | - | - |
| Special Education Cluster (IDEA) | | | 19619-047-PN01 | - | - | - | 5,879 |
| Special Education Cluster (IDEA) | | | 20619-045-PN01 | - | - | - | 4,536 |
| Special Education Cluster (IDEA) | | | 45717-049-PN01 | - | 183 | - | - |
| Total - Special Education_Preschool Grants | | | | - | 9,185 | - | 11,231 |
| Total - Special Education Cluster (IDEA) | | | | - | 184,230 | - | 410,629 |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | | | | | |
| Title I 2017-18 | | | Proj # 17-2940 | - | 77,845 | - | - |
| Title I 2018-19 | | | Proj # 18-2940 | - | 128,896 | - | - |
| Title I 2018-19 | | | Proj # 19-2940 | - | - | - | 121,734 |
| Title I 2019-20 | | | Proj # 20-2940 | - | - | - | 107,350 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 206,741 | - | 229,084 |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | | | | | |
| Title IIA 16/18 | | | S367A160013 | - | 33,436 | - | - |
| Title IIA 17/19 | | | S367A170013 | - | 20,661 | - | - |
| Title IIA 17-19 | | | S367A170013 | - | - | - | 12,390 |
| Title IIA 18-19 | | | S367A180013 | - | - | - | 15,102 |
| Total - Supporting Effective Instruction State Grants | | | | - | 54,097 | - | 27,492 |
| Student Support and Academic Enrichment Program | Indiana Department of Education | 84.424 | | | | | |
| Title IV 18/20 | | | S424A180015 | - | 15,118 | - | - |
| Title IV 18/20 | | | S424A190015 | - | - | - | 9,299 |
| Total - Student Support and Academic Enrichment Program | | | | - | 15,118 | - | 9,299 |
| Total - Department of Education | | | | - | 460,186 | - | 676,504 |
| <u>Department of Health and Human Services</u> | | | | | | | |
| Medicaid Cluster | | | | | | | |
| Medical Assistance Program | Indiana Department of Education | 93.778 | | | | | |
| Medicaid Federal | | | FY 18-19 | - | 51,281 | - | - |
| Medicaid Federal | | | FY 19-20 | - | - | - | 29,096 |
| Total - Medicaid Cluster | | | | - | 51,281 | - | 29,096 |
| Total - Department of Health and Human Services | | | | - | 51,281 | - | 29,096 |
| Total federal awards expended | | | | \$ - | \$ 947,228 | \$ - | \$ 1,157,471 |

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

EASTERN GREENE 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.

Note 3. Special Education Cooperative

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

| | |
|--|---|
| Type of auditor's report issued: | Adverse as to GAAP; Unmodified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

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

Identification of Major Program and type of auditor's report issued on compliance for it:

| <u>Name of Federal Program or Cluster</u> | <u>Opinion Issued</u> |
|---|-----------------------|
| Child Nutrition Cluster | 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 an internal control system over the federal information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. Commodities for the National School Lunch Program were understated in fiscal year 2018-2019 and 2019-2020 by \$21,050 and \$19,720, respectively.
2. The Special Education_Grants to States expenditures were understated by \$20,731 in 2019-2020.
3. The Title I Grants to Local Educational Agencies expenditures were overstated and understated, which resulted in a net understatement of \$40,710 for 2019-2020.
4. The Medicaid Cluster expenditures were overstated by \$47,435 for 2019-2020.
5. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$11,419.
6. Program names were incorrect.

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 . . ."

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and accounted for, in order to:

(1) Permit the preparation of reliable financial statements . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, 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): FY 18-19, FY 19-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report for the Program Income compliance requirement. The prior audit finding number was 2018-001.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not designed or implemented a system of internal controls to ensure compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles as they relate to expenditures made by the food service management company. The School Corporation did not verify that the food service management company maintained adequate documentation to support the expenditures charged as part of the cost-reimbursement contract.

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Program Income

The School Corporation had not established an internal control system to verify and record program income. Program income was posted to the School Lunch fund without evidence of a review or approval process to ensure accuracy.

Special Tests and Provisions - School Food Accounts

The School Corporation had not established an effective internal control system to ensure all revenues were accounted for in the School Lunch fund. A school food account was established for the School Corporation; however, an oversight, or review process, was not implemented to ensure revenues were properly recorded in the school food account. One employee was responsible for posting all revenues without evidence of a review or approval process to ensure accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

EASTERN GREENE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, 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.

AUDITEE-PREPARED DOCUMENTS

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



Eastern Greene Schools

1471 N. State Rd 43

Bloomfield, IN 47424

(812)825-5722 centraloffice@egreene.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2014-2015 & 2015-2016

Status of Audit Finding:

The Corporation Treasurer receipted all cafeteria pre-paid deposits into a clearing account in fund #8400. The amount of the daily cafeteria deposits that should be receipted into the pre-paid account are listed on the daily deposit reports from the cafeteria managers. At the end of each month a report listing all meals purchased using pre-paid account money is given to the Corporation Treasurer. A monthly transfer from the clearing account in Fund #8400 to the appropriate cafeteria program accounts in Fund #800 will occur to reflect these purchases. The Food Service Director provides an end of month report from Nutri-Kids listing pre-paid dollars spent.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Trent Provo / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer will have the Superintendent review, approve, and initial the Annual Gateway SEFA report before it is submitted online.

Anticipated Completion Date: Immediately

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CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Trent Provo / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Program Income - Once figures are tabulated for the end of month transfer from 8400 Prepaid Lunch Fund to the 800 Lunch Fund, the Deputy Treasurer will review and initial before the transfer is posted in Komputrol.

Actives Allowed or Unallowed and Allowable Costs/Cost Principles - At the end of each month, the Corporation Treasurer will review a report and invoices for all food claims submitted for payment to Chartwells for Eastern Greene Schools. This report will be maintained in the Corporation Treasurer's office. The invoices will be maintained in the Cafeteria office.

School Food Accounts - The Corporation Treasurer will print a monthly receipt history listing for fund #800. The Deputy Treasurer will review and initial this report.

Documentation and/or invoices for all claims submitted will be maintained in the Cafeteria office.

Anticipated Completion Date: Immediately

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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/>.