

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FRANKLIN COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

06/11/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Jeffrey Mercer Tina Gross	07-01-18 to 06-28-19 06-29-19 to 06-30-21
Superintendent of Schools	Dr. David Clendening	07-01-18 to 06-30-21
President of the School Board	Danny Vaught Bryan Wertz Andy Lamm	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 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 FRANKLIN COMMUNITY SCHOOL
CORPORATION, JOHNSON 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 Franklin 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 20, 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.

Franklin 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 20, 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 FRANKLIN COMMUNITY SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Franklin 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 20, 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 20, 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.

FRANKLIN 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					
Child Nutrition Breakfast FY19			FY 2019	\$ -	\$ 334,287	\$ -	\$ -
Child Nutrition Breakfast FY20			FY 2020	-	-	-	182,951
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
Child Nutrition Breakfast FY20			FY 2020	-	-	-	55,095
Total - School Breakfast Program				-	334,287	-	238,046
National School Lunch Program	Indiana Department of Education	10.555					
Child Nutrition Lunch FY19			FY 2019	-	1,338,157	-	-
Child Nutrition Lunch FY20			FY 2020	-	-	-	788,792
Commodities			FY 2019	-	202,743	-	-
Commodities			FY 2020	-	-	-	194,474
Subtotal - National School Lunch Program				-	1,540,900	-	983,266
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
Child Nutrition Lunch FY20			FY 2020	-	-	-	125,871
Total - National School Lunch Program				-	1,540,900	-	1,109,137
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Child Nutrition Summer FY19			FY 2019	-	92,865	-	-
Child Nutrition Summer FY20			FY 2020	-	-	-	83,054
Total - Summer Food Service Program for Children				-	92,865	-	83,054
Total - Child Nutrition Cluster				-	1,968,052	-	1,430,237
Total - Department of Agriculture				-	1,968,052	-	1,430,237
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2018 Federal Part B 611 (5230)			18611-031-PN01	-	319,501	-	487
FY2019 Federal Part B 611 (5240)			19611-031-PN01	-	835,037	-	307,070
FY2020 Federal Part B 611 (5200)			20611-031-PN01	-	-	-	840,006
Total - Special Education Grants to States				-	1,154,538	-	1,147,563
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY2018 Federal Part B 619 (5400)			18619-031-PN01	-	3,035	-	-
FY2019 Federal Part B 619 (5410)			19619-031-PN01	-	18,558	-	7,191
FY2020 Federal Part B 619 (5430)			20619-031-PN01	-	-	-	19,454
Total - Special Education Preschool Grants				-	21,593	-	26,645
Total - Special Education Cluster (IDEA)				-	1,176,131	-	1,174,208

FRANKLIN 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					
2017-2018 Title I Basic (4121)			S010A180014	-	121,089	-	-
2017-2018 Title I Delinquent (4122)			S010A170014	-	80,303	-	-
2018-2019 Title I Basic (4123)			S010A190014	-	359,345	-	155,052
2018-2019 Title I Delinquent (4124)			S013A180014	-	14,861	-	63,465
2019-2020 Title I Basic (4125)			S010A200014	-	-	-	352,317
2019-2020 TITLE I DELINQUENT (4126)			S013A190014	-	-	-	1,189
Total - Title I Grants to Local Educational Agencies				-	575,598	-	572,023
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
2017-2018 McKinney-Vento (5111)			7000S196A170015	-	19,456	-	-
2018-2019 McKinney-Vento (5112)			7000S196A180015	-	37,579	-	21,823
Total - Education for Homeless Children and Youth				-	57,035	-	21,823
English Language Acquisition State Grants	Indiana Department of Education	84.365					
2016-2018 Title III (6888)			01117-040-PN01	-	2,082	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
FFY 2016 Title II Part A (6841)			FY 2016	-	70,479	-	-
FFY 2017 Title II Part A (6842)			FY 2017	-	69,913	-	37,553
FFY 2018 Title II Part A (6843)			FY 2018	-	-	-	70,132
Total - Supporting Effective Instruction State Grants				-	140,392	-	107,685
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
2018-2019 TITLE IV (5801)			S424A180015	-	7,750	-	30,386
2019-2020 TITLE IV (5802)			S424A190015	-	-	-	4,193
Total - Student Support and Academic Enrichment Program				-	7,750	-	34,579
Total - Department of Education				-	1,958,988	-	1,910,318
<u>Department of Health and Human Services</u>							
<u>Medicaid Cluster</u>							
Medical Assistance Program		93.778					
Medicaid Admin Claiming (IEP)	Indiana Family and Social Services		FY 2019	-	125,900	-	95,937
Indiana MAC	Indiana Department of Education		FY 2020	-	48,519	-	56,863
Total - Medical Assistance Program				-	174,419	-	152,800
Total - Medicaid Cluster				-	174,419	-	152,800
Total - Department of Health and Human Services				-	174,419	-	152,800
Total federal awards expended				\$ -	\$ 4,101,459	\$ -	\$ 3,493,355

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

FRANKLIN 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.

Note 3. Special Education Cooperative

The School Corporation is a member of a special education cooperative (Cooperative). The Cooperative operates the special education programs for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

FRANKLIN 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	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 School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to 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 controls were not effective and did not detect and allow correction of errors prior to submission.

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

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

1. The National School Lunch Program expenditures were understated by a total of \$239,957.
2. The Special Education Grants to States expenditures were overstated by \$1,372,681. The School Corporation is a member of a special education cooperative (Cooperative) and errantly reported the total reimbursement for the Cooperative, rather than the portion allocated to the School Corporation.
3. The Medical Assistance Program was omitted, which understated expenditures by \$327,219.
4. Other misstatements that were not material in nature amounted to a net understatement of \$28,638.

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:

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

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

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: Special Education Cluster (IDEA) - Procurement

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): 20611-031-PN01, 19611-031-PN01,
18611-031-PN01, 20619-031-PN01,
19619-031-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 was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation is ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the procurement requirements. The Cooperative did not have adequate procedures in place to ensure that micro purchases were equitably distributed among qualified suppliers or to ensure that price or rate quotations were obtained from an adequate number of qualified sources for small purchases.

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding the small purchase threshold from an adequate number of sources for 100 percent of the vendors tested.

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:

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

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

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the procurement requirements of 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 effective internal controls to ensure compliance and comply with the procurement requirements of 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 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY2017

Status of Audit Finding:

The following has been implemented in order to correct the finding related to the Food Service Verification process.

- While it was not possible to add the additional internal controls processes during the Verification period in the fall of 2018, we did go back through the applications that were pulled for verification in the fall of 2018 and completed additional checks. These included double checking the income documentation that was provided by families - this was first calculated by the FS Director. This information was entered into Meal Magic by the Director. The Office Assistant Manager went back to the verified applications, checked and confirmed that the information was correctly entered into the POS program. The Office Assistant Manager then initialled the application. Once all of these internal controls checks were completed the Verification Summary report that was prepared and submitted by the Director, was checked and initialled by the FS Office Assistant.
- For the Verification period in the 2019-2020 school year, these internal controls were completed during the verification process/period:
- All applications “pulled” by the POS program were first checked by the Food Service Director using the Direct Verification area in the IN State Application Center. If verification results were found, the page showing the results was printed and attached to the original application by the FS Director. These results were entered into the POS program by the FS Director and confirmed by the FS Office Assistant Manager.
- After all applications were checked through the Direct Verification process, letters were sent to families requesting income documentation.

- As income documentation was received in the office the calculation of income provided was first completed by the Director then checked and confirmed by the Office Assistant Manager prior to entering the information into the POS program. The Assistant Manager initialled the income documentation and the application. The system then recalculates the application and determines if there is a change in the status for the students.
- Once all applications were reviewed, the FS Director prepared the verification summary report. The report was reviewed and confirmed by the Office Assistant. The report was initialled by the Office Assistant as being correct.
- The report was then entered and submitted to the State electronically by the Director.

The additional internal controls outlined above, are in place moving forward. However, in the 2020-2021 school year, the USDA did not require that the process be completed due to the USDA waiver being put in place allowing all students to receive meals for free for the entire school year.

Any questions may be directed to:

Tina Gross
Chief Financial Officer
Franklin Community Schools
(317)945-4327
grosst@franklinschools.org



Dr. David Clendening
Superintendent

Dr. Brooke Worland
Assistant Superintendent

Ms. Tina Gross
Chief Financial Officer

Mr. Matt Sprout
Director of Technology

Mr. Jeff Sewell
Director of Operations

CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tina Gross

Contact Phone Number: 317-945-4327

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

In order to ensure the accuracy of amounts reported on the SEFA report, we will implement the following changes in our procedures:

1. FCS will begin reporting the Medicaid reimbursement amounts that have been previously omitted in prior reports.
2. Federal Gateway Report - Annually, the deputy treasurer requests information from the Food Service Department related to the dollars received for the various Federal programs including the NSLP, SBP, SFSP, and Food Distribution Program. These amounts can be found on the IDOE School Nutrition website. The Director of Food Services performs the following steps to gather the necessary information:
 - Go to the SCP website.
 - Select the Program Code:
 - SNP tab, includes the National School lunch program and the School Breakfast program
 - SFSP tab, the Summer Food Service Program
 - FDP, the Food Distribution Program
 - For each program select the Program Year
 - Select the Payments tab at the top
 - Add the total payments for each program

For the FDP program:

- Look in the Entitlement Used column. Add that dollar amount to the dollar amount set aside for the DoD fresh fruit and vegetable program (this amount had been deducted from the Entitlement prior to the annual survey).

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- Use this new total + No Charge Used dollars + Bonus Used dollars = this total is the amount to be reported to the Deputy Treasurer.

The Director of Food Services also prints the information and forwards it to the Assistant Deputy Treasurer for review and verification of totals. The Assistant Deputy Treasurer then forwards the information to the Deputy Treasurer to add these totals to the SEFA report and the annual financial reports.

3. We will implement a verification step prior to submission by the Deputy Treasurer where the Assistant Deputy Treasurer gathers all of the amounts needed for the SEFA report and submits them to the Deputy Treasurer. The Deputy Treasurer will then review the amounts against supporting documentation to ensure the accuracy prior to submission into Gateway.

Anticipated Completion Date: 5/18/21



Dr. David Clendening
Superintendent

Dr. Brooke Worland
Assistant Superintendent

Ms. Tina Gross
Chief Financial Officer

Mr. Matt Sprout
Director of Technology

Mr. Jeff Sewell
Director of Operations

CORRECTIVE ACTION PLAN

FINDING 2020-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action:

Dr. Angela L. Balsley
Executive Director
abalsley@earlywood.org

Contact Phone Number: Ph: 574-933-3705

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Earlywood Governing Board adopted the following policies on May 12th

- a. 734 Cost Principles- Spending Federal Funds
- b. 735 Time And Effort Reporting
- c. 736 Procurement- Federal Grants And Funds

Administrative Guideline 736 will be discussed with the Association on June 2, 2021. The guidelines will include internal procedures for documenting relevant purchasing decisions on micro purchases within Skyward, our software used for our business office functions. Additionally, procedures will be included to identify when the accumulation of micro purchases for a particular vendor are approaching the definition of small purchases so that related price quotations may be obtained.

Anticipated Completion Date: July 1, 2021

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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/>.