

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION

VERMILLION COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
06/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/ Treasurer	Cindy Guinn	07-01-18 to 06-30-21
Superintendent of Schools	David A. Chapman	07-01-18 to 06-30-21
President of the School Board	John P. Roehm	07-01-18 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 SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION 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 South Vermillion 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 27, 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.

South Vermillion 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 27, 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 SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Vermillion 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 items 2020-003 and 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, 2020-004, and 2020-005, that we consider to be material weaknesses.

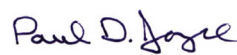
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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 27, 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 27, 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.

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SOUTH VERMILLION 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			FY19	\$ -	\$ 136,443	\$ -	\$ -
School Breakfast Program			FY20	-	-	-	95,273
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY20	-	-	-	8,393
Total - School Breakfast Program				-	136,443	-	103,666
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
Commodities			FY19	-	458,122	-	-
National School Lunch Program			FY19	-	68,150	-	-
Commodities			FY20	-	-	-	313,229
Commodities			FY20	-	-	-	67,016
Sub-Total - National School Lunch Program				-	526,272	-	380,245
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY20	-	-	-	25,518
Total - National School Lunch Program				-	526,272	-	405,763
Summer Food Service Program for Children							
Summer Food Program	Indiana Department of Education	10.559					
Summer Food Program			FY19	-	6,535	-	-
Summer Food Program			FY20	-	-	-	2,702
Sub-Total - Summer Food Service Program for Children				-	6,535	-	2,702
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program			FY20	-	-	-	94,278
Total - Summer Food Service Program for Children				-	6,535	-	96,980
Total - Child Nutrition Cluster				-	669,250	-	606,409
Total - Department of Agriculture				-	669,250	-	606,409

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Covered Bridge Federal Grants to States			14217-006-PN01	-	70,036	-	-
Covered Bridge Federal Grants to States			18611-006-PN01	-	92,041	-	-
Covered Bridge Federal Grants to States			18611-145-PN01	-	-	-	70,114
Covered Bridge Federal Grants to States			19611-006-PN01	-	264,627	-	87,901
Covered Bridge Federal Grants to States			20611-006-PN01	-	-	-	276,825
Total - Special Education Grants to States				-	426,704	-	434,840
Special Education Preschool Grants							
Special Education Preschool Grants	Indiana Department of Education	84.173					
Covered Bridge Pre-School Grants to States			45717-006-PN01	-	5,184	-	-
Covered Bridge Pre-School Grants to States			18619-006-PN01	-	2,381	-	-
Covered Bridge Pre-School Grants to States			18619-145-PN01	-	-	-	3,832
Covered Bridge Pre-School Grants to States			19619-006-PN01	-	12,162	-	4,930
Total - Special Education Preschool Grants				-	19,727	-	8,762
Total - Special Education Cluster (IDEA)				-	446,431	-	443,602
Adult Education - Basic Grants to States							
Adult Ed. 2017-18	Indiana Department of Workforce Development	84.002	AE7123	-	11,250	-	-
Adult Ed. 2018-19			AE8123	-	9,908	-	3,973
Adult Ed. 2019-20			AE9123	-	-	-	104,054
Total - Adult Education - Basic Grants to States				-	21,158	-	108,027
Title I Grants to Local Educational Agencies							
Title I 2017-18	Indiana Department of Education	84.010	8020 FY 2017-18	-	89,058	-	-
Title I 2018-19			8020 FY 2018-19	-	177,532	-	221,820
Title I 2019-20			8020 FY 2019-20	-	-	-	63,978
Total - Title I Grants to Local Educational Agencies				-	266,590	-	285,798
Career and Technical Education - Basic Grants to States							
Perkins Summer Expansion 2019	Indiana Department of Education	84.048	19A-4700-8020	-	-	-	35,000
Total - Career and Technical Education - Basic Grants to States				-	-	-	35,000

SOUTH VERMILLION 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
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA 2017-18			S367A170013	-	15,575	-	-
Title IIA 2018-19			S367A180013	-	25,183	-	25,825
Title IIA 2019-20			S367A190013	-	-	-	27,935
Total - Supporting Effective Instruction State Grants				-	40,758	-	53,760
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A180015	-	4,204	-	-
Title IV			S424A190015	-	-	-	4,125
Total - Student Support and Academic Enrichment Program				-	4,204	-	4,125
Total - Department of Education				-	779,141	-	930,312
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Family and Social Services Administration	93.778					
Medicaid - IEP			FY19	-	3,008	-	-
Medicaid - IEP			FY20	-	-	-	5,546
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid - MAC			FY19	-	3,483	-	-
Medicaid - MAC			FY20	-	-	-	228
Total - Medical Assistance Program				-	6,491	-	5,774
Total - Medicaid Cluster				-	6,491	-	5,774
Opioid STR	Indiana Department of Education	93.788					
Title IV			700CURESACTGF18	-	57,266	-	-
Total - Opioid STR				-	57,266	-	-
Total - Department of Health and Human Services				-	63,757	-	5,774
Total federal awards expended				\$ -	\$ 1,512,148	\$ -	\$ 1,542,495

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

SOUTH VERMILLION 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). 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.

Note 4. Career and Technical Education Cooperative

The School Corporation is a member of a career and technical education cooperative (Career Cooperative) and serves as the fiscal agent for the Career Cooperative. As a result, some activity for the Career and Technical Education - Basic Grants to States program that is presented as receipts and disbursements in the financial statement is not presented on the SEFA.

SOUTH VERMILLION 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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number 2018-001.

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).

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

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Federal award information was prepared and submitted in Gateway by the Business Manager, and the Superintendent of Schools reviewed the information prior to submittal; however, the internal control was not effective and did not detect and allow correction of errors prior to submission.

The SEFA presented for audit included the following errors:

1. The Summer Food Service Program for Children expenditures were understated by \$2,539 in fiscal year 2018-2019.
2. Commodities for the National School Lunch Program were understated by \$2,049 in 2018-2019 and overstated by \$3,917 in 2019-2020.
3. The Special Education Cluster (IDEA) expenditures were overstated by \$777 in 2018-2019.
4. The Adult Education - Basic Grants to States expenditures were overstated by \$122,624 in 2018-2019.
5. The Medicaid Cluster expenditures were overstated \$1,488 in 2018-2019 and understated by \$767 in 2019-2020.
6. All 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 . . ."

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
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) Transaction 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."

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

Cause

Management had not established an effective 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 included 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 - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding eligibility. The prior finding number was 2018-002.

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 Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility

The Free and Reduced Price Applications are required to be submitted online. The Food Service Director was responsible for verifying that the computer software made the correct determination for eligibility by haphazardly verifying applications. There was no evidence of an oversight, review, or approval process that ensured the eligibility determinations made by the software system were accurate. In addition, there was no evidence of an oversight, review, or approval process of the Direct Certification listings or that they were correct and properly included in the computer system.

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

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director was responsible for verification of free and reduced price applications for the audit period, as well as the verification process, which included: letters to parents requesting supporting documentation, verifying the information received, and changing the eligibility status in the student software system. There was no evidence of an oversight, review, or approval process to ensure compliance with the noted verification process.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversights, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, to ensure compliance with the grant agreement and Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

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

FINDING 2020-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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): FY19, FY20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit period. The prior audit finding number was 2018-003.

Condition and Context

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not obtain an adequate number of price or rate quotes for small purchases.

The lack of internal controls and noncompliance were systemic issues that occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

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

(a) 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. . . ."

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

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 noncompliance to go undetected. Noncompliance with the grant agreement and the procurement requirements 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 a system of internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-004

Subject: Special Education Cluster (IDEA) - Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 18611-145-PN01, 18619-145-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
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 Period of Performance compliance requirement.

The School Corporation was a member of the Covered Bridge Special Education District (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 was ultimately responsible for compliance with the grant agreement and the Period of Performance compliance requirement.

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

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the period of performance requirements. The Cooperative did not have adequate procedures in place to ensure that costs recorded during the latter part of, and after, the period of performance were actually incurred within the period of performance. Three of the eleven disbursements tested were incurred after the end of the period of performance.

The lack of internal controls and noncompliance were isolated to the 18611-145-PN01 and 18619-145-PN01 grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.77 states:

"*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§ 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv))."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance 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 period of performance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Period of Performance compliance requirement.

Views of Responsible Officials

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

FINDING 2020-005

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): 18611-145-PN01, 18619-145-PN01,
19611-006-PN01, 19619-006-PN01,
20611-006-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Finding: Material Weakness

Condition and Context

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

The School Corporation was a member of the Covered Bridge Special Education District (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 was ultimately responsible for compliance with the grant agreement and the procurement requirements.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the procurement requirements. The Cooperative designed internal controls to document purchases and ensure that the correct procurement method was used; however, the internal controls were not properly implemented.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SOUTH VERMILLION 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). . . ."

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 placed the School Corporation at risk of noncompliance with the grant agreement and the procurement requirements. A lack of segregation of duties within an internal control system could have enabled noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approval over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance 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.

AUDITEE-PREPARED DOCUMENTS

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



SOUTH VERMILLION COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-001

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

RECEIPTS – Corrective action was taken

PAYROLL RELATED DISBURSEMENTS – Corrective action was taken

SEFA – South Vermillion is in the process of taking corrective action to ensure that only the federal portion of adult education grants are reported – not including state dollars. In addition, the information provided by our special education district is confirmed to be correct prior to submission. To ensure accuracy of the reported grants, the Business Manager reviews the report with the Superintendent.

Finding 2018-002

Fiscal Year in which the finding initially occurred: 2016

Status of Audit Finding:

South Vermillion is in the process of working on the correction action plan. The Food Service Director, Kimberly Bryant, will enter into Harmony the annual eligibility parameters prior to the start of the school year. Stephanie Farrington (Corporation Payroll/Personnel) will verify that the information has been entered correctly and sign off the information has been entered correctly.

Once applications begin to be processed, either web based or paper versions, FSD will be responsible to manually calculate and verify that the Harmony results are accurate based on the eligibility parameters. A minimum of five (5) and no more than ten (10) random applications will be selected for this additional verification

765-832-2426

FAX: 765-832-7391

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David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Melanie Beaver, Director of Curriculum, Instruction and Assessment
Jennifer Fossi, Director of Instructional Technology
Stephanie Farrington, Personnel - Payroll - Benefits



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procedure. Applications could be pulled from any of the three (3) status determination levels (Free, Reduced and Pay).

Selected applications will be kept a separate file for audit purposes and proof of corrective action compliance.

Finding 2018-003

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

PROCUREMENT –

South Vermillion is in the process of working on the corrective action plan. Cafeteria Managers had been given ordering privileges at each building, unaware that they were all ordering from the same vendor causing the total monthly invoices to exceed the allotted limit. Changes to this were established when new FSD hired in January 2020. FSD will continue to monitor manager spending and take corrective action.

The Food Service Director will monitor spending with non-bid vendors. For small purchases exceeding \$10,000, from vendors not granted an annual bid, multiple price or rate quotes will be obtained prior to purchase.

SUSPENSION AND DEBARMENT: Corrective action was taken

Finding 2018-004

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

COMPLIANCE WITH SPECIAL TESTS AND PROVISIONS-PAID LUNCH EQUITY – Corrective action was taken

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Finding 2018-005

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

PROGRAM INCOME COMPLIANCE – Corrective action was taken

Finding 2018-006

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

REPORTING COMPLIANCE REQUIREMENT – Corrective action was taken

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Melanie Beaver, Director of Curriculum, Instruction and Assessment
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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Cindy Guinn
Contact Phone Number: 765-832-2426

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Business Manager will confirm information provided by the Covered Bridge Special Education District is correct prior to submission. To further ensure accuracy of the reported grants, the Business Manager will review the report with the Superintendent prior to submission.

Anticipated Completion Date: Immediately

FINDING 2020-002

Contact Person Responsible for Corrective Action: Kimberly Bryant
Contact Phone Number: 765-832-3551

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Food Service Director, Kimberly Bryant, will enter into Harmony the annual eligibility parameters prior to the start of the school year. Stephanie Farrington (Corporation Payroll/Personnel) will verify that the information has been entered correctly and sign off that the information has been entered correctly.

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Once applications begin to be processed, either web based or paper versions, FSD will be responsible to manually calculate and verify that the Harmony results are accurate based on the eligibility parameters. A minimum of five (5) and no more than ten (10) random applications will be selected for this additional verification procedure. Applications could be pulled from any of the three (3) status determination levels (Free, Reduced and Pay). Selected applications will be kept a separate file for audit purposes and proof of corrective action compliance.

Direct Certification- Currently the FSD performs a monthly look up for directly certified students. Twice during the school year, the look up is “year-to-date” and all other months a DC “New Student” look-up is performed.

Implementation of Control:

Once the look-up is complete by the FSD and student accounts have been updated, Stephanie Farrington (Corporation Payroll/Personnel) or one of the other ECA treasurers will be provided the list generated from government site and a cover signature form requesting verification that look up is complete and that student accounts have been updated. They will sign-off on cover sheet and return forms to FSD. All signature forms and DC look-up documents will be stored for audit purposes. See example of DC cover sheet.

Anticipated Completion Date: Effective Immediately for start of the 2021-2022 school year.

FINDING 2020-003

Contact Person Responsible for Corrective Action: Kimberly Bryant
Contact Phone Number: 765-832-3551

Views of Responsible Official:

We concur with the finding.

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Melanie Beaver, Director of Curriculum, Instruction and Assessment
Jennifer Fossi, Director of Instructional Technology
Stephanie Farrington, Personnel - Payroll - Benefits



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Description of Corrective Action Plan:

The Food Service Director will monitor spending with non-bid vendors. For small purchases exceeding \$10,000, from vendors not granted an annual bid, multiple price or rate quotes will be obtained prior to purchase.

FINDING 2020-004

Contact Person Responsible for Corrective Action: Cindy Guinn/Jeff Clutter
Contact Phone Number: 765-832-2426 / 812-462-4364

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The expenditures made outside of the period of performance occurred during after the previous treasurer left the position abruptly and remaining staff and a retired treasurer were filling the void until a permanent replacement was found. Since that time, the new treasurer and staff have put measures in place to ensure that all expenditures are made inside the grant period of performance. These include ensuring that one grant is completely expended before moving to the next year's grant, submitting grant reimbursements on a regular basis, and monitoring grant deadlines.

Anticipated Completion Date:

These actions have already been put in place. FY 19 and FY 20 Federal 611 and 619 Grants must be expended by September 30, 2021.

Anticipated Completion Date: Effective Immediately 5/24/21

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Cindy Guinn, Business Manager - Finance - Budget
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FINDING 2020-005

Contact Person Responsible for Corrective Action: Cindy Guinn/Jeff Clutter
Contact Phone Number: 765-832-2426 / 812-462-4364

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Covered Bridge Special Education District has previously created a purchasing log to which the Executive Director, Assistant Director, Treasurer and Deputy Treasurer have access. The log is used to ensure that all purchases are tracked and that proper purchasing procedures are being followed including purchase approvals and ensuring that three or more quotes are obtained for items over \$3,500. Based on feedback from the auditor, the purchasing log has been expanded to include notes about purchases in which there is a sole-source provider used and rationale for vendor selection. Covered Bridge Special Education District utilizes the Vigo County School Corporation Stock Room for common supply items that are available.

Anticipated Completion Date: Immediately

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David Chapman, Superintendent

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Melanie Beaver, Director of Curriculum, Instruction and Assessment
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Stephanie Farrington, Personnel - Payroll - Benefits

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/>.