

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

AVON COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

06/24/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sheila R. Glass	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Margaret E. Hoernemann Dr. Scott M. Wyndham	07-01-18 to 06-30-20 07-01-20 to 06-30-21
President of the School Board	John K. McDavid Anne Engelhardt Kim Woodward	07-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 to 06-30-21



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

TO: THE OFFICIALS OF THE AVON COMMUNITY SCHOOL
CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Avon 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Paul D. Joyce, 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 AVON COMMUNITY SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Avon 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.

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)

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. 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 2020-001 and 2020-002, that we consider to be material weaknesses.


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)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated 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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AVON 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 Reimbursement			FY2019	\$ -	\$ 320,106	\$ -	\$ -
School Breakfast Reimbursement			FY2020	-	-	-	238,058
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Reimbursement			FY2020	-	-	-	60,949
Total - School Breakfast Program				-	320,106	-	299,007
National School Lunch Program							
After School Snack Reimbursement	Indiana Department of Education	10.555					
National School Lunch Program			FY2019	-	5,360	-	-
Commodities			FY2019	-	1,556,287	-	-
After School Snack Reimbursement			FY2019	-	313,968	-	-
National School Lunch Program			FY2020	-	-	-	5,045
Commodities			FY2020	-	-	-	1,180,926
			FY2019, FY2020	-	-	-	304,270
Sub-total - National School Lunch Program				-	1,875,615	-	1,490,241
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY2020	-	-	-	144,887
Total - National School Lunch Program				-	1,875,615	-	1,635,128
Special Milk Program for Children							
Kindergarten Milk Reimbursement	Indiana Department of Education	10.556					
Kindergarten Milk Reimbursement			FY2019	-	1,394	-	-
			FY2020	-	-	-	994
COVID-19 - Special Milk Program for Children	Indiana Department of Education	10.556					
Kindergarten Milk Reimbursement			FY2020	-	-	-	54
Total - Special Milk Program for Children				-	1,394	-	1,048
Total - Child Nutrition Cluster				-	2,197,115	-	1,935,183
Total - Department of Agriculture				-	2,197,115	-	1,935,183
<u>Department of Energy</u>							
State Energy Program							
Propane School Bus Grant Program	Indiana Office of Energy Development	81.041	DE-EE0007473	-	-	-	77,475
Total - Department of Energy				-	-	-	77,475

AVON 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					
Part B 611 (ages 3-12) Grant			14217-124-PN01	-	150	-	-
Part B 611 (ages 3-12) Grant			18611-124-PN01	-	515,589	-	-
Part B 611 (ages 3-12) Grant			18611-124-PN01	-	-	-	455
Part B 611 (ages 3-12) Grant			19611-124-PN01	-	1,241,732	-	-
Part B 611 (ages 3-12) Grant			19611-124-PN01	-	-	-	262,915
Part B 611 (ages 3-12) Grant			20611-124-PN01	-	-	-	320,030
Part B 611 (ages 3-12) Grant			20611-124-PN01	-	-	-	608,143
Total - Special Education Grants to States				-	1,757,471	-	1,191,543
Special Education Preschool Grants							
Special Education Preschool Grants	Indiana Department of Education	84.173					
Part B 619 (ages 3-5) Grant			18619-124-PN01	-	493	-	-
Part B 619 (ages 3-5) Grant			18619-124-PN01	-	8,816	-	-
Part B 619 (ages 3-5) Grant			19619-124-PN01	-	35,592	-	-
Part B 619 (ages 3-5) Grant			19619-124-PN01	-	-	-	8,900
Part B 619 (ages 3-5) Grant			20619-124-PN01	-	-	-	17,131
Total - Special Education Preschool Grants				-	44,901	-	26,031
Total - Special Education Cluster (IDEA)				-	1,802,372	-	1,217,574
Title I Grants to Local Educational Agencies							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			18611-001-PN01	-	317,467	-	-
Title I Part A			S010A150014	-	68,338	-	-
Title I Part A			S010A180014	-	-	-	90,624
Title I Part A			S010A190014	-	-	-	198,599
Total Title I Grants to Local Educational Agencies				-	385,805	-	289,223
English Language Acquisition State Grants							
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III/ Language Instruction for Limited English Proficient & Immigrant Students			S365A180014	-	26,014	-	-
Title III/ Language Instruction for Limited English Proficient & Immigrant Students			S365A180014	-	-	-	900
Title III/ Language Instruction for Limited English Proficient & Immigrant Students			S365A190014	-	60,030	-	-
Title III/ Language Instruction for Limited English Proficient & Immigrant Students			S365A190014	-	-	-	26,866
Total - English Language Acquisition State Grants				-	86,044	-	27,766
Supporting Effective Instruction State Grants							
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A/ Improving Teacher Quality			S367A160013	-	3,220	-	-
Title II Part A/ Improving Teacher Quality			S367A170013	-	123,437	-	-
Title II Part A/ Improving Teacher Quality			S367A170013	-	-	-	90
Title II Part A/ Improving Teacher Quality			S367A180013	-	11,198	-	-
Title II Part A/ Improving Teacher Quality			S367A180013	-	-	-	81,418
Title II Part A/ Improving Teacher Quality			S367A190013	-	-	-	26,473
Total - Supporting Effective Instruction State Grants				-	137,855	-	107,981

AVON 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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Student Support and Academic Enrichment Program			S424A170015	-	75,402	-	-
Title IV Student Support and Academic Enrichment Program			S424A170015	-	-	-	22,716
Title IV Student Support and Academic Enrichment Program			S424A180015	-	13,720	-	-
Title IV Student Support and Academic Enrichment Program			S424A180015	-	-	-	15,810
Title IV Student Support and Academic Enrichment Program			S424A190015	-	-	-	3,953
Total - Student Support and Academic Enrichment Program				-	89,122	-	42,479
Total - Department of Education				-	2,501,198	-	1,685,023
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Indiana MAC Reimb Program			FY19	-	64,222	-	-
Indiana MAC Reimb Program			FY20	-	-	-	79,780
Medical Assistance Program	Family and Social Services Administration	93.778					
Medicaid Reimbursement - IEP			FY19	-	115,390	-	-
Medicaid Reimbursement - IEP			FY20	-	-	-	78,665
Total - Medical Assistance Program				-	179,612	-	158,445
Total - Medicaid Cluster				-	179,612	-	158,445
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Indiana Department of Education	93.243					
Project Aware			H79SM080975-01	-	126,076	-	-
Project Aware			H79SM080975-01	-	-	-	270,148
Project Aware			H79SM080975-02	-	-	-	254,561
Total - Substance Abuse and Mental Health Services Projects of Regional and National Significance				-	126,076	-	524,709
Total - Department of Health and Human Services				-	305,688	-	683,154
Total federal awards expended				\$ -	\$ 5,004,001	\$ -	\$ 4,380,835

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

AVON 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.

AVON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income
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, Special Milk Program for Children, COVID-19 - Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY2019, FY2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Program Income compliance requirements.

One employee of the School Corporation, paid from the School Lunch fund, did not have adequate supporting documentation for the time spent on grant activities. The amount charged to the grant, \$16,094.60, is considered a questioned cost.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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

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

(g) Be adequately documented. . . ."

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

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.307(e)(2) states in part: "*Addition.* With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award."

Cause

Management had not established a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles and Program Income compliance requirements.

Effect

The failure to maintain and provide adequate supporting documentation prevented the School Corporation's compliance with the Allowable Costs/Cost Principles and Program Income compliance requirements.

Questioned Costs

Known questioned costs in the amount of \$16,094.60 were identified, as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and maintain adequate supporting documentation to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Program Income compliance requirements.

Views of Responsible Officials

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

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

FINDING 2020-002

Subject: Child Nutrition Cluster - Eligibility, Suspension and Debarment, Program Income
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, Special Milk Program for Children, COVID-19 - Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY2019, FY2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Procurement and Suspension and Debarment, Program Income
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 Eligibility, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Eligibility

The School Corporation used a food service software, which automatically made eligibility determinations dependent upon the information entered in the software by the students' parents or guardians. However, the School Corporation did not have a proper system of oversight or review to ensure that the federal income guidelines entered into the software were accurate. Additionally, the direct certification reports were uploaded into the food service software without a proper system of oversight or review to ensure that all students on the direct certification reports were entered accurately in the system.

Suspension and Debarment

One employee verified that vendors were not suspended or debarred from participation in federal programs without a proper system of oversight or review.

Program Income

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was assessed properly. Food prices for each school year were entered into the student lunch system without a proper system of oversight or review.

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:

AVON 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 or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Effect

The failure to establish an internal control system placed the School Corporation at risk of non-compliance with the grant agreement and the Eligibility, Procurement and Suspension and Debarment, and Program Income compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements listed above and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Eligibility, Procurement and Suspension and Debarment, and Program Income compliance requirements.

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.



7203 East U.S. Highway 36
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April 19, 2021

Summary Schedule of Prior Audit Findings

Finding 2018-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 17-18

Contact Person Responsible for Corrective Action: Sheila R. Glass

Contact Phone Number: (317) 544-6000

Views of Responsible Official: This finding was corrected in January 2018

Status of Audit Finding:

Beginning in December 2017, ACSC changed our procedures to meet the remaining requirements described in the School Administrator volume 211. Beginning in January 2018, ACSC began accounting for deposits made on student accounts in the School Lunch Clearing Fund (8400) and making the recommended monthly transfers to the School Lunch Fund (800) for earned income. ACSC continue to account for deposits made on student accounts in the School Lunch Clearing Fund (8400) and makes the recommended monthly transfers to the School Lunch Fund (800) for earned income.

Board of School Trustees

Gregory J. Dana
Anne L. Engelhardt
Anita D. Overton
Cynthia L. Simmons
Kimberly L. Woodward

Administration

Superintendent

Scott M. Wyndham, Ed.D.

Assistant Superintendents

Michael D. Sullivan, Ed.D.

Terry L. Terhune, Ph.D.

Michael D. Sullivan, Ed.D

Assistant Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass
Contact Phone Number: 317-544-6041

Views of Responsible Official: We concur with the finding. We self-identified the questioned cost in 2021 and have decided to pay the lone employee through funds other than the School Lunch fund as of May 2021.

Description of Corrective Action Plan:

Beginning in May 2021, ACSC recognized the need to complete Time and Effort logs for one employee being paid \$16,090.60 from the School Lunch grant. Although the employee plans weekly with the Director of Food Services, and therefore is eligible to be paid from the fund, ACSC has decided not to use the fund for a portion of the employee's salary.

Anticipated Completion Date:

This finding will be corrected June 2021.

Michael D. Sullivan, Ed.D
Assistant Superintendent
Avon Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2020-002 (Auditor assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass and Emily Cates
Contact Phone Number: 317-544-6041

Views of Responsible Official: We concur with the finding. We were notified of the issue in May 2021 and will correct it as of June 2021.

Description of Corrective Action Plan:

1. Eligibility – Income guidelines were checked and were correct in the Point of Sale lunch system. However, we did not have a paper trail to prove they were checked. Going forward, we will screen shot the guidelines and print it with two signatures. The Direct Certification rosters were downloaded from IDOE, uploaded into lunch system and filed but did not have a second review/signature. We have addressed that and will have a second person check and sign off.
2. Suspension and debarment checks were completed for vendors that we spend \$25,000+ with. However, the one that they pulled to check was a vendor that was not in the system so we did not have a print out for that particular vendor but did have copies for other vendors. (Some vendors do not register with SAM.) Auditor instructed us that best practice going forward is to print out the no results screen and file that. He also suggested all print outs contain two signatures. We have already implemented this process for 20/21 SY.
3. Program Income – Meal prices were entered into lunch system by us and were correct. However, we also did not have a paper trail for this (same as Eligibility). Going forward, we will screen shot meal prices in lunch system and have two signatures.

Board of School Trustees

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Administration **Superintendent**

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Assistant Superintendents
Michael D. Sullivan, Ed.D.
Terry L. Terhune, Ph.D.

Anticipated Completion Date:

This finding will be corrected as of June 2021

Michael D. Sullivan, Ed.D
Assistant Superintendent
Avon Community School Corporation

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/>.