

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

PERU COMMUNITY SCHOOLS

MIAMI COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/02/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stanley Hall Dan Durrwachter	07-01-18 to 09-30-18 10-01-18 to 06-30-21
Superintendent of Schools	Sam E. Watkins	07-01-18 to 06-30-21
President of the School Board	Sharon Shuey Charles Wagner Ron Mullett	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 06-30-21



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

TO: THE OFFICIALS OF THE PERU COMMUNITY SCHOOLS, MIAMI 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 Peru Community Schools (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated June 1, 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.

Peru Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 1, 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 PERU COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Peru Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 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)

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, 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 June 1, 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

June 1, 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.

PERU COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2019	\$ -	\$ 167,941	\$ -	\$ -
School /Breakfast Program			FY 2020	-	-	-	143,407
School /Breakfast Program				-	-	-	-
COVID 19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2020	-	-	-	13,366
School /Breakfast Program				-	-	-	-
Total - School Breakfast Program				-	167,941	-	156,773
National School Lunch Program							
National School Lunch	Indiana Department of Education	10.555	FY 2019	-	554,296	-	-
Snacks			FY 2019	-	4,772	-	-
Commodities			FY 2019	-	91,559	-	-
National School Lunch			FY 2020	-	-	-	467,928
Snacks			FY 2020	-	-	-	4,542
Commodities			FY 2020	-	-	-	85,290
Sub-Total - National School Lunch Program				-	650,627	-	557,760
COVID 19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2020	-	-	-	80
Snacks			FY 2020	-	-	-	36,169
National School Lunch				-	-	-	-
Sub-Total - COVID 19 - National School Lunch Program				-	-	-	36,249
Total - National School Lunch Program				-	650,627	-	594,009
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY 2019	-	49,473	-	-
Summer Food Service Program			FY 2020	-	-	-	47,282
COVID 19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2020	-	-	-	335,805
Summer Food Service Program				-	-	-	-
Total - Summer Food Service Program for Children				-	49,473	-	383,087
Total - Child Nutrition Cluster				-	868,041	-	1,133,869
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2019	-	26,419	-	-
Child and Adult Care			FY 2020	-	-	-	29,076
Child and Adult Care				-	-	-	-
Total - Child and Adult Care Food Program				-	26,419	-	29,076
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579	27674	-	23,000	-	-
Child Nutrition Discretionary Grants				-	-	-	-
Total - Department of Agriculture				-	917,460	-	1,162,945
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	18611-056-PN01	-	231,223	-	31,972
Special Education				-	-	-	-

PERU COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education			19611-056-PN01	-	291,205	-	73,097
Special Education			19611-154-PN01	-	-	-	199,953
Special Education			20611-054-PN01	-	-	-	230,413
Total - Special Education_ Grants to States				-	522,428	-	535,435
Special Education_Preschool Grants	Indiana Department of Education						
Special Education - Preschool		84.173	18619-056-PN01	-	17,454	-	4,683
Special Education - Preschool			19619-154-PN01	-	-	-	24,386
Total - Special Education_Preschool Grants				-	17,454	-	29,069
Total - Special Education Cluster (IDEA)				-	539,882	-	564,504
Adult Education - Basic Grants to States	Lafayette School Corporation						
Adult Education 17-18		84.002	FY18	-	25,423	-	-
Adult Education 18-19			FY19	-	24,024	-	8,864
Adult Education 19-20			FY20	-	-	-	18,246
Total - Adult Education - Basic Grants to States				-	49,447	-	27,110
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	S010A150014	-	148,986	-	-
Title I			S010A180014	-	303,012	-	187,690
Title I			S010A190014	-	-	-	406,122
Total - Title I Grants to Local Educational Agencies				-	451,998	-	593,812
Rural Education	Indiana Department of Education						
Rural Education		84.358	S358B160014	-	15,471	-	-
Rural Education			S358B170014	-	4,135	-	24,958
Rural Education 18-20			S358B180014	-	-	-	27,362
Total - Rural Education				-	19,606	-	52,320
Supporting Effective Instruction State Grants	Indiana Department of Education						
Improving Teacher Quality		84.367	S367A160013	-	35,793	-	-
Improving Teacher Quality			S367A170013	-	65,541	-	40,805
Improving Teacher Quality			S367A180013	-	-	-	56,438
Total - Supporting Effective Instruction State Grants				-	101,334	-	97,243
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV		84.424	S424A180015	-	10,181	-	7,796
Title IV			S424A190015	-	-	-	5,000
Total - Student Support and Academic Enrichment Program				-	10,181	-	12,796
Total - Department of Education				-	1,172,448	-	1,347,785
Total federal awards expended				\$ -	\$ 2,089,908	\$ -	\$ 2,510,730

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

PERU COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of 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.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major 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 was 2018-001.

Condition and Context

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The SEFA presented for audit included the following errors:

1. The Special Education Grants to States program was omitted which understated expenditures by \$1,104,386.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$148,986.
3. Several additional programs had individually immaterial errors that resulted in misstatements of expenditures of \$203,031, in total.
4. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.62 states in part:

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

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

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

Effect

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: 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, Summer Food Service Program for Children,
COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.533, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2019, FY2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Allowable Costs/Cost Principles. The prior audit finding number was 2018-003.

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 Cash Management compliance requirements.

Allowable Costs/Cost Principles

The School Corporation established procedures to ensure timecards were properly reviewed and approved; however, the process was not properly implemented. During testing, 14 of the 40 time cards selected did not show documentation of a review or approval.

Cash Management (School Breakfast Program and National School Lunch Program)

The School had not designed or implemented adequate internal controls and policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed the three months average expenditures.

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles and Cash Management 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Cash Management 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.



Administrative Center
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Peru, IN 46970
765.473.3081
Fax: 765.472.5129
www.peru.k12.in.us



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: **FY 12-13, FY 13-14**

Status of Audit Finding: Status of Finding: SEFA reporting procedures are in the process of being modified to include a third person to verify the report, prior to submittal. Peru Community Schools is working to establish effective internal controls of federal award information entered into Gateway. Current practice is to have the deputy treasurer submit the SEFA once it has been review by the treasures. We are in the process of including a third person in to the review process.

FINDING 2018-002

Fiscal year in which the finding initially occurred: **FY 14-15, FY 15-16**

Status of Audit Finding: Peru Community Schools has fully corrected and established a proper system of controls related to financial transactions and reporting,

FINDING 2018-003

Fiscal year in which the finding initially occurred: **FY 14-15, FY 15-16**

Status of Audit Finding: Peru Community Schools has fully corrected and now have a proper set of internal controls involving several employees in office. This has been corrected with the exception of controls over time cards.

FINDING 2018-004

Fiscal year in which the finding initially occurred: **FY 14-15, FY 15-16**

Status of Audit Finding: Peru School Corporation's has since establish controls related to the grant agreements and the compliance requirements listed.

FINDING 2018-005

Fiscal year in which the finding initially occurred: **FY 14-15, FY 15-16**

Status of Audit Finding: We have since developed a system of internal controls with the use of electronic time cards. In regards to the additional findings, we have since developed a system of internal controls that segregated key duties.

FINDING 2018-006

Fiscal year in which the finding initially occurred: **FY 12-13, FY 13-14**

Status of Audit Finding: We are still working on implementing controls over the reporting requirement. This finding has not been corrected to checking the claims monthly. We are still lacking proper internal controls.

FINDING 2018-007

Fiscal year in which the finding initially occurred: **FY 16-17, FY 17-18**

Status of Audit Finding: Peru School Corporation's has since establish controls related to the Free and reduced application agreements and the compliance requirements listed.

FINDING 2018-008

Fiscal year in which the finding initially occurred: **FY 14-15, FY 15-16**

Status of Audit Finding: We have completed and corrected this finding in accordance to the CAP as we have implemented controls. Currently the deputy treasurer completes the PLE and is reviewed by the food service director and then is submitted to the DOE.

FINDING 2018-009

Fiscal year in which the finding initially occurred: **FY 16-17, FY 17-18**

Status of Audit Finding: The proper controls have been put into place in regards to checking the MOE for special education yearly.



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CORRECTIVE ACTION PLAN

FINDING 2020 - 001

Contact Person Responsible for Corrective Action: ***Dan Durrwachter***

Contact Phone Number: 765-473-3081

Views of Responsible Official: ***We agree with these findings***

Description of Corrective Action Plan: **SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. Audit adjustments have already been made to the SEFA. SEFA will be prepared by the Deputy Treasurer and then reviewed by our Financial Specialist. Once both agree it will then be review by the Treasurer and submitted. With a proper system of internal control in place that operates effectively, material will be stated more accurately.**

Anticipated Completion Date: We anticipate completion on 6/1/21

FINDING 2020-002

Contact Person Responsible for Corrective Action: ***Dan Durrwachter***

Contact Phone Number: 765-473-3081

Views of Responsible Official: ***We agree with these findings***

Description of Corrective Action Plan: ***The new procedure for improved controls was put in place by January 1, 2020. The new control utilizes digital time cards, which must have several approvals to improve internal controls. Therefore, the action has since been corrected. Peru Community Schools will work on implementing controls over the cash management compliance requirements for funds. We will review and make sure controls are in place.***

Anticipated Completion Date: 1/1/20

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/>.