

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
DEARBORN COUNTY, INDIANA
July 1, 2018 to June 30, 2020



FILED
07/20/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager	Shawn Spindler	07-01-18 to 06-30-21
Superintendent of Schools	Eric Lows	07-01-18 to 06-30-21
President of the School Board	Scott Willoughby Karla Raab Scott Willoughby	07-01-18 to 12-31-19 01-01-20 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 SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION, DEARBORN 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 Dearborn 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 June 14, 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

June 14, 2021



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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 DEARBORN COMMUNITY SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Dearborn Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance finding 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.

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 14, 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 14, 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.

SOUTH DEARBORN 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	19-1600	\$ -	\$ 110,210	\$ -	\$ -
School Breakfast Program			20-1600	-	-	-	80,428
School Breakfast Program				-	-	-	-
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	20-1600	-	-	-	27,516
School Breakfast Program				-	-	-	-
Total - School Breakfast Program				-	110,210	-	107,944
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	19-1600	-	514,877	-	-
School Snack Program			19-1600	-	4,939	-	-
National School Lunch Program			20-1600	-	-	-	377,624
School Snack Program			20-1600	-	-	-	3,476
Commodities				-	91,099	-	86,989
Sub -Total - National School Lunch Program				-	610,915	-	468,089
COVID-19 - National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	20-1600	-	-	-	63,980
School Snack Program			20-1600	-	-	-	305
Total - National School Lunch Program				-	610,915	-	532,374
Total - Child Nutrition Cluster				-	721,125	-	640,318
Total - Department of Agriculture				-	721,125	-	640,318
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education	Indiana Department of Education	84.027	18611-050-PN01	-	166,570	-	-
Special Education			19611-050-PN01	-	249,740	-	214,072
Special Education			20611-048-PN01	-	-	-	505,254
Total - Special Education Grants to States				-	416,310	-	719,326
Special Education Preschool Grants							
Special Education PreSchool	Indiana Department of Education	84.173	18619-050-PN01	-	499	-	-
Special Education PreSchool			19619-050-PN01	-	148	-	332
Special Education PreSchool			20619-048-PN01	-	-	-	17,937
Total - Special Education Preschool Grants				-	647	-	18,269
Total - Special Education Cluster (IDEA)				-	416,957	-	737,595

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	18-1600	-	122,987	-	-
Title I			19-1600	-	363,794	-	74,839
Title I			20-1600	-	-	-	295,631
Title I SIG			S010A170014	-	28,240	-	-
Title I SIG			S010A180014	-	-	-	45,000
Title I SIG			S010A190014	-	-	-	62,792
Total - Title I Grants to Local Educational Agencies				-	515,021	-	478,262
English Language Acquisition State Grants	Indiana Department Education						
Title III		84.365	01119-207-PN01	-	-	-	145
Title III			01120-208-PN01	-	-	-	325
Total - English Language Acquisition State Grants				-	-	-	470
Supporting Effective Instruction State Grants	Indiana Department of Education						
Title IIA		84.367	16-1600	-	8,866	-	-
Title IIA			17-1600	-	78,134	-	-
Title IIA			18-1600	-	38,022	-	40,608
Title IIA			19-1600	-	-	-	69,430
Teacher Leader Bootcamp			TLB FY20	-	-	-	635
Total - Supporting Effective Instruction State Grants				-	125,022	-	110,673
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV Part A		84.424	S424A180015	-	-	-	17,327
Title IV Part A			S424A190015	-	-	-	20,238
Total - Student Support and Academic Enrichment Program				-	-	-	37,565
Total - Department of Education				-	1,057,000	-	1,364,565
Department of Health and Human Services							
Medicaid Cluster	Indiana Department of Education						
Medical Assistance Program		93.778					
Federal Medicaid Assistance - IEP			SY 18-19	-	5,793	-	-
Federal Medicaid Assistance - IEP			SY 19-20	-	-	-	2,679
Total - Medical Assistance Program				-	5,793	-	2,679
Total - Medicaid Cluster				-	5,793	-	2,679
Total - Department of Health and Human Services				-	5,793	-	2,679
Total federal awards expended				\$ -	\$ 1,783,918	\$ -	\$ 2,007,562

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

SOUTH DEARBORN 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 the Ripley-Ohio-Dearborn Special Education Cooperative (Cooperative). The Cooperative operates the special education programs for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) federal program that is presented on 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.

SOUTH DEARBORN 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

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
 CFDA Numbers: 10.553, 10.555
 Federal Award Numbers and Years (or Other Identifying Numbers): 19-1600, 20-1600
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirements: Allowable Costs/Cost Principles, Program Income
 Audit Findings: Material weakness, Other Matters

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

Condition and Context

An effective internal control system, which would include segregation of duties, 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.

The Food Service Director was also the transportation secretary and was paid from both the School Operations and School Lunch funds for fiscal years 2018-2019 and 2019-2020. Approximately 75 percent of her salary was paid from the School Lunch fund. No personnel activity reports or other time and effort documentation was presented to support the salary breakdown. The total amount paid from the School Lunch fund was \$70,749, which was 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 200.430(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 . . .
- (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."

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

Cause

Management had not developed an effective system of internal controls that would have ensured compliance or that adequate supporting documentation be retained related to the Allowable Costs/Cost Principles and Program Income compliance requirements.

Effect

The failure to establish an effective system of internal controls, and to provide adequate supporting documentation, enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The total amount of unsupported compensation paid to the Food Service Director from the federal program totaled \$70,749 during the audit period. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls and retain adequate supporting documentation related to 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.

FINDING 2020-002

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP)

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 Number and Year (or Other Identifying Number): 20-1600

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP)

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) compliance requirement.

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

The Food Service Director performed the required verifications of free and reduced priced applications based on the method indicated on the Verification Summary Report. The Deputy Treasurer then reviewed the documentation. However, there was no documented evidence of the review for fiscal year 2019-2020.

The lack of internal controls was isolated to 2019-2020.

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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) 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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) 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.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001: Financial Statement Findings

Fiscal year in which the finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager

Contact Phone Number: 812.926.2090

The Deputy Treasurer issues all receipts and checks with review by the Business Manager. The Deputy Treasurer completes the bank reconciliation with review/approval by the Business Manager.

Status of Audit Finding: The corrective action for this is already in place.

FINDING 2018-002: Preparation of the SEFA

Fiscal year in which the finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager

Contact Phone Number: 812.926.2090

After completion of the SEFA, the Business Manager review with the Superintendent prior to submission.

Status of Audit Finding: Corrective action for this is already in place to identify any material errors on the SEFA. Beginning in FY21, we will begin providing additional information to the superintendent during his review of the SEFA to ensure that immaterial errors are also identified and corrected.

FINDING 2018-003: Child Nutrition Cluster – Internal Controls

Fiscal year in which the finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Jessica Peak, Food Service Director

Contact Phone Number: 812.926.2090

1. The Deputy Treasurer or Food Service Director monitors the monthly cash balance to ensure net cash resources do not exceed three months average expenditures. The Business Manager then reviews.
2. The school Treasurer/Secretary enters all free and reduced price applications which determines eligibility. The eligibility determinations are then reviewed by the Food Service Director.
3. The Food Service Director or Business Manager completes the AFR with review and approval by the Business Manager or Deputy Treasurer. The Food Service Director prepares the Verification Summary Report with review by the Business Manager (this was performed for FY2019 but is currently on hold due to COVID.) The Business Manager prepares the Reimbursement Requests with review by the Deputy Treasurer.
4. The Food Service Director performs the calculations of the PLE with the Business Manager reviewing and approving the calculations.

Success Driven. Grow. Excel. Achieve.
A Community Commitment



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5. The Food Service Director performs the verification of free and reduced price applications with review by the Deputy Treasurer. This process was documented for FY19 but not for FY20. The Food Service Director maintains and files F/R price applications.

Status of Audit Finding: The corrective action for this is already in place.

FINDING 2018-004: Child Nutrition - Procurement

Fiscal year in which the finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Jessica Peak, Food Service Director

Contact Phone Number: 812.926.2090

The Food Service Director reviews all bid documents when utilizing a purchasing cooperative to ensure compliance with Procurement requirements. The Food Service Director obtains three price quotes on purchases that exceed \$3,500 when possible.

Status of Audit Finding: The corrective action for this is already in place.

FINDING 2018-005: Special Tests and Provisions – Annual Report Card, High School Grad. Rate

Fiscal year in which the finding initially occurred: 2018

Contact Person Responsible for Corrective Action: Sally Bender, Director of Guidance

Contact Phone Number: 812.926.2090

After the cohort report is entered in our software, the Director of Guidance and/or the High School Principal reviews and signs off on the information.

Status of Audit Finding: The corrective action for this is already in place.

FINDING 2018-006: Title I Grants to Local Educational Agencies - Eligibility

Fiscal year in which the finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Chris Tanner, Assistant Superintendent

Contact Phone Number: 812.926.2090

For the Eligible School Summary Report, we print this and verify the enrollment with our Real-Time reports. As for the non-public enrollment, we have documented our conversations with the parochial schools enrollment.

Status of Audit Finding: The corrective action for this is already in place.

FINDING 2018-007: Special Education Cluster – Procurement and Suspension and Debarment

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Fiscal year in which the finding initially occurred: 2018

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager

Contact Phone Number: 812.926.2090

Documentation of price/rate quotes are obtained and maintained by the ROD Cooperative. For the Suspension and Debarment, ROD will do a search on the SAM Federal registry, for any vendor that exceeds \$25,000, to verify the selected vendor has not been suspended or debarred. The Director signs the document verifying the vendor has not been suspended or debarred.

Status of Audit Finding: The corrective action for this is already in place.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The appropriate personnel will prepare some sort of time and effort documentation which will then be approved by the Board of Trustees to have split personnel costs.

Anticipated Completion Date: July 2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Jessica Peak, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Verification of Free and Reduced Price Applications - The Food Service Director will perform the verification of free and reduced price applications with review by the District Payroll and Treasurer Assistant. The Food Service Director will also maintain and file free and reduced price applications according to the state compliance guidelines. The Business Manager then approves the Verification Summary Report.

Anticipated Completion Date: August 2021

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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.