

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

FEDERAL COMPLIANCE AUDIT REPORT
OF

BLUFFTON-HARRISON
METROPOLITAN SCHOOL DISTRICT
WELLS 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>
Treasurer	Dr. Brad Yates Julie Meitzler	07-01-18 to 06-30-19 07-01-19 to 06-30-21
Superintendent of Schools	Wayne Barker Dr. Brad Yates	07-01-18 to 06-30-19 07-01-19 to 06-30-21
President of the School Board	Heath Schlagenhauf Mike Murray Julie A. Thompson	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 BLUFFTON-HARRISON METROPOLITAN
SCHOOL DISTRICT, WELLS 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 Bluffton-Harrison Metropolitan School District (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, 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.

Bluffton-Harrison Metropolitan School District's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 14, 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 BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT, WELLS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Bluffton-Harrison Metropolitan School District'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. Except as discussed below, 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)

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2020-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, 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 Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2018 to June 30, 2020.

Other 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.

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)


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

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

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

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.

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BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
 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			FY 18-19	\$ -	\$ 52,071	\$ -	\$ -
School Breakfast			FY 19-20	-	-	-	39,802
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast - COVID			FY 19-20	-	-	-	3,723
Total - School Breakfast Program				-	52,071	-	43,525
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 18-19	-	387,397	-	-
School Lunch			FY 19-20	-	-	-	279,325
Commodities			FY 18-20	-	80,399	-	67,045
Subtotal - National School Lunch Program				-	467,796	-	346,370
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch - COVID			FY 19-20	-	-	-	23,721
Total - National School Lunch Program				-	467,796	-	370,091
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 18-19	-	33,371	-	-
Summer Food Service Program			FY 19-20	-	-	-	27,873
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program - COVID			FY 19-20	-	-	-	64,871
Total - Summer Food Service Program for Children				-	33,371	-	92,744
Total - Child Nutrition Cluster				-	553,238	-	506,360
Total - Department of Agriculture				-	553,238	-	506,360

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
 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					
Special Education Part B 2017			14217-001-PN01	-	482	-	-
Special Education Part B 2018			18611-001-PN01	-	259,225	-	10,971
Special Education Part B 2019			19611-001-PN01	-	44,889	-	258,166
Special Education Part B 2020			20611-001-PN01	-	-	-	8,079
Total - Special Education Grants to States				-	304,596	-	277,216
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool 2018			18619-001-PN01	-	2,560	-	-
Special Education Preschool 2019			19619-001-PN01	-	7,837	-	2,952
Special Education Preschool 2020			20619-001-PN01	-	-	-	2,855
Total - Special Education Preschool Grants				-	10,397	-	5,807
Total - Special Education Cluster (IDEA)				-	314,993	-	283,023
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
2017-2018 Title I			18-8445	-	29,875	-	-
2018-2019 Title I			S010A180014	-	178,800	-	71,580
2019-2020 Title I			S010A190014	-	-	-	154,452
Total - Title I Grants to Local Educational Agencies				-	208,675	-	226,032
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
2017-2018 Area 18/Vocation-Perkins			18-4700-8445	2,530	28,365	-	-
2018-2019 Area 18/Vocation-Perkins			19-4700-8445	215,702	357,865	-	13,639
2018-2019 Perkins Summer Expansion			19A-4700-8445	-	-	20,512	20,512
2019-2020 Area 18/Vocation-Perkins			20-0512-8445	-	-	274,481	321,486
2019-2020 Perkins Assessment Grant			20-0512-A018	-	-	6,499	6,499
Total - Career and Technical Education - Basic Grants to States				218,232	386,230	301,492	362,136

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A-FFY 16			S367A160013	-	1,000	-	-
Title II Part A-FY17			S367A170013	-	16,196	-	923
Title II Part A-FY 18			S367A180013	-	1,321	-	27,247
Title II Part A-FFY 19			S367A190013	-	-	-	750
Total - Supporting Effective Instruction State Grants				-	18,517	-	28,920
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Student Support Title IV-FY18			S424A180015	-	881	-	16,000
Student Support Title IV-FY19			S424A190015	-	-	-	1,512
Total - Student Support and Academic Enrichment Program				-	881	-	17,512
Total - Department of Education				218,232	929,296	301,492	917,623
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Indiana MAC			FY 18-19	-	47,610	-	-
Indiana MAC			FY 19-20	-	-	-	23,439
Total - Medicaid Cluster				-	47,610	-	23,439
Total - Department of Health and Human Services				-	47,610	-	23,439
Total federal awards expended				\$ 218,232	\$ 1,530,144	\$ 301,492	\$ 1,447,422

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
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 Adams-Wells Special Services 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.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
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)	Qualified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted into Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The National School Lunch Program expenditures were overstated and the Summer Food Service Program for Children expenditures were understated by \$33,371 for fiscal year 2018-2019.
2. The National School Lunch Program expenditures were overstated and the Summer Food Service Program for Children expenditures were understated by \$27,873 for 2019-2020.
3. The National School Lunch Program Commodities were overstated by \$4,701 and \$4,255 for 2018-2019 and 2019-2020, respectively.
4. Other errors included incorrect or missing CFDA numbers, program names and identifying numbers, and immaterial incorrect expenditures.

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:

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Special Education Grants to States - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-001-PN01, 18611-001-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

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 earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation was a member of the Adams-Wells Special Services Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation is ultimately responsible for compliance with the grant agreement and the earmarking requirements.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for nonpublic school students with disabilities was met. They also did not have internal controls in place to ensure that documentation to support the calculation of the reported expenditures was maintained and available for audit.

The Non-Public Proportionate Share expenditures reported on the Proportionate Share Quarterly Monitoring Reports for the 14217-001-PN01 and 18611-001-PN01 grant awards could not be verified due to the lack of supporting documentation. Per inquiry, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the non-public school usage percentage, which was calculated based on a time study conducted by the prior Cooperative's Director. The time studies for these grants were not available for audit.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and supporting documentation was isolated to the 14217-001-PN01 and 18611-001-PN01 grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed, . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the earmarking requirements.

Effect

The failure to retain and provide supporting documentation prevented the determination of the School Corporation's compliance with the earmarking requirements.

Questioned Costs

There were no questioned costs identified.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement. Additionally, we recommended that management of the School Corporation establish internal controls to ensure supporting documentation will be maintained and available for audit.

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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805 EAST HARRISON STREET
BLUFFTON, IN 46714

PHONE 260.824.2620
FAX 260.824.6011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: FY 2015/2016

Status of Audit Finding: Fully Corrected Upon Notification of Finding

The district and Adams-Wells Special Services Cooperative (AWSSC) increased internal control procedures regarding quarterly proportionate share monitoring reports. Quarterly proportionate share monitoring reports are provided to the district from AWSS along with applicable expenditure reports. District personnel review the quarterly reports and returns a signed copy to AWSS for submission.



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FINDING 2018-002

Fiscal year in which the finding initially occurred: FY 2016/2017; FY 2017/2018

Status of Audit Finding: Fully Corrected Upon Notification of Finding

The district has implemented a monthly procedure to address the finding. Following each month of business, the Deputy Treasurer issues a monthly report to the Food Service Director and Superintendent with the School Lunch Fund monthly cash balances (net cash resources). The Superintendent reviews the monthly cash balance along with the three months average expenditures in accordance with the Cash Management compliance requirement. The Food Service Director provides a secondary review of the monthly information. Both the Superintendent and Food Service Director complete a review and sign-off of the monthly finances.

The district has implemented improved systems of review and submission of monthly reimbursement reports, annual reports, and verification reports providing a multi-person review/approval process. The Food Service Director and Assistant Food Service Directors/Kitchen Managers review and sign eligibility applications and requirements.



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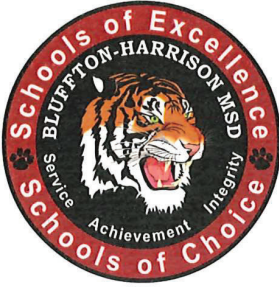
PHONE 260.824.2620
FAX 260.824.6011

FINDING 2018-003

Fiscal year in which the finding initially occurred: FY 2016/2017; FY 2017/2018

Status of Audit Finding: Fully Corrected Upon Notification of Finding

The district discontinued the indirect cost assignment of central administration compensation and trash removal from the School Lunch fund upon notification of the finding.



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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Dr. Brad Yates
Contact Phone Number: 260-824-2620

Views of Responsible Official:

BHMSD concurs with the finding.

Description of Corrective Action Plan:

Upon receipt of the SBOA field auditor adjusted SEFA, BHMSD reviewed the updated SEFA for understanding. In preparation of upcoming SEFA statements, BHMSD will seek to accurately state the Child Nutrition Cluster National School Lunch Program, Child Nutrition Cluster Summer Food Service Program, and Medical Assistance Program expenditures for the 2020-2021 fiscal year and future fiscal years. As currently practiced, BHMSD will continue to review prepared SEFA information by a second party prior to submission in the Indiana Gateway for Government Units (Gateway) financial reporting system.

Anticipated Completion Date:

July 1, 2021

DR. BRAD YATES
SUPERINTENDENT

MRS. JULIE MEITZLER
ASST. SUPERINTENDENT



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CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Dr. Brad Yates
Contact Phone Number: 260-824-2620

Views of Responsible Official:

BHMSD concurs with the finding.

Description of Corrective Action Plan:

The district and Adams-Wells Special Services (AWSS) increased internal control procedures regarding quarterly proportionate share monitoring reports. Quarterly proportionate share monitoring reports are provided to the district from AWSS along with applicable expenditure reports. District personnel review the quarterly reports and returns a signed copy to AWSS for submission. The district's management procedures in coordination with AWSSC were modified to establish controls related to the reporting compliance requirements. After implementing corrective action regarding internal controls, AWSSC and the district completes, reviews, and signs original reporting documents. School corporations within the cooperative review the documents prior to submission to the IDOE.

Anticipated Completion Date:

July 1, 2021

DR. BRAD YATES
SUPERINTENDENT

MRS. JULIE MEITZLER
ASST. SUPERINTENDENT

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/>.