

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

FEDERAL COMPLIANCE AUDIT REPORT
OF

SOUTH MADISON COMMUNITY
SCHOOL CORPORATION
MADISON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/21/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny Myers	07-01-18 to 06-30-21
Superintendent of Schools	Joseph Buck Mark Hall	07-01-18 to 06-30-20 07-01-20 to 06-30-21
President of the School Board	Amy McGinnis Chris Boots William Hutton	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 SOUTH MADISON COMMUNITY
SCHOOL CORPORATION, MADISON 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 Madison 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 10, 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 10, 2021



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

TO: THE OFFICIALS OF THE SOUTH MADISON COMMUNITY SCHOOL CORPORATION, MADISON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Madison 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.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2020-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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)

Qualified Opinion on Special Education Cluster (IDEA)

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

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

Report on Internal Control over Compliance

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

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

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 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.

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 10, 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 10, 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 MADISON 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					
Child Nutrition Program School Breakfast Program			FY 2018-2019	\$ -	\$ 104,196	\$ -	\$ -
Child Nutrition Program School Breakfast Program			FY 2019-2020	-	-	-	78,687
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2019-2020	-	-	-	211,355
Total - School Breakfast Program				-	104,196	-	290,042
National School Lunch Program							
Child Nutrition Program School Lunch Program	Indiana Department of Education	10.555					
Child Nutrition Program School Lunch Program			FY 2018-2019	-	688,612	-	-
Commodities			FY 2019-2020	-	-	-	528,794
Commodities			FY 2018-2019	-	176,448	-	-
Commodities			FY 2019-2020	-	-	-	149,589
Sub-total - National School Lunch Program				-	865,060	-	678,383
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2019-2020	-	-	-	369,908
Total - National School Lunch Program				-	865,060	-	1,048,291
Special Milk Program for Children							
Child Nutrition Program School Special Milk Program	Indiana Department of Education	10.556					
Child Nutrition Program School Special Milk Program			FY 2018-2019	-	935	-	-
			FY 2019-2020	-	-	-	1,059
COVID-19 - Special Milk Program for Children	Indiana Department of Education	10.556					
Special Milk Program for Children			FY 2019-2020	-	-	-	28
Total - Special Milk Program for Children				-	935	-	1,087
Total - Child Nutrition Cluster				-	970,191	-	1,339,420
Total - Department of Agriculture				-	970,191	-	1,339,420
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2018 Federal Part B 611 Grant			18611-023-PN01	-	105,359	-	216,968
FY2019 Federal Part B 611 Grant			19611-023-PN01	-	649,299	-	174,826
FY2020 Federal Part B 611 Grant			20611-023-PN01	-	-	-	689,177
FY2017 Federal Part B 611 Grant			14217-139-PN01	-	115,220	-	-
Total - Special Education Grants to States				-	869,878	-	1,080,971

SOUTH MADISON 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY2020 Federal Preschool 619 Grant			20619-023-PN01	-	-	-	39,726
FY2018 Federal Preschool 619 Grant			18619-023-PN01	-	7,947	-	4,339
FY2019 Federal Preschool 619 Grant			19619-023-PN01	-	29,001	-	16,424
Total - Special Education Preschool Grants				-	36,948	-	60,489
Total - Special Education Cluster (IDEA)				-	906,826	-	1,141,460
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2017-18 (4109)			18-5255	-	179,761	-	-
Title I 2018-19 (4110)			19-5255	-	132,764	-	211,804
Title I 2019-20 (4111)			S010A200014	-	-	-	84,777
Total - Title I Grants to Local Educational Agencies				-	312,525	-	296,581
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II 2018-19 (6840.18)			S367A190013	-	-	-	32,570
Title II 2017-18 (6840.17)			S367A180013	-	27,840	-	51,369
Title II 2016-17 (6840.16)			S367A170013	-	36,809	-	-
Total - Supporting Effective Instruction State Grants				-	64,649	-	83,939
Total - Department of Education				-	1,284,000	-	1,521,980
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program		93.778					
FY 19 Medicaid Reimbursement Fund 6460 IMAC	Indiana Department of Education		FY19	-	51,755	-	-
FY 19 Medicaid Reimbursement Fund 6460 Claim Aid	Family and Social Services Administration		FY19	-	140,066	-	-
FY 20 Medicaid Reimbursement Fund 6460 IMAC	Indiana Department of Education		FY20	-	-	-	56,934
FY 20 Medicaid Reimbursement Fund 6460 Claim Aid	Family and Social Services Administration		FY20	-	-	-	101,367
Total - Medical Assistance Program				-	191,821	-	158,301
Total - Medicaid Cluster				-	191,821	-	158,301
Opioid STR	Indiana Department of Education	93.788					
Cures - 2019 (7963)			1H79TI081689-01	-	153,563	-	-
Total - Department of Health and Human Services				-	345,384	-	158,301
Total federal awards expended				\$ -	\$ 2,599,575	\$ -	\$ 3,019,701

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

SOUTH MADISON 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 Hamilton-Boone-Madison Special Services Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SOUTH MADISON 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>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster Special Education Cluster (IDEA)	Unmodified 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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Special Education Cluster (IDEA) - Procurement
 Federal Agency: Department of Education
 Federal Programs: Special Education Grants to States, Special Education Preschool Grants
 CFDA Numbers: 84.027, 84.173
 Federal Award Numbers and Years (or Other Identifying Numbers): 14217-139-PN01, 18611-023-PN01, 19611-023-PN01, 18619-023-PN01, 19619-023-PN01

Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-009.

Condition and Context

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

The School Corporation is a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and the School Corporation, the School Corporation was ultimately responsible for compliance with the Procurement and Suspension and Debarment compliance requirement.

The written procurement policies and procedures of the Cooperative did not comply with the procurement standards outlined in the criteria below for fiscal year 2018-2019. The written policies did not specify avoiding the acquisition of unnecessary or duplicative items, or that all solicitations should incorporate a description of the technical requirements of the procurement. The Cooperative also had a policy to use local geographical preferences in the evaluation of bids or proposals.

The School Corporation did not establish effective internal controls over purchases that fall within the small purchase's requirement, allowing noncompliance to go undetected. Price or rate quotes were not obtained from an adequate number of qualified sources and full and open competition was not provided.

The lack of effective internal controls and noncompliance were isolated to 2018-2019.

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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

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

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the procurement requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-002

Subject: Special Education Cluster (IDEA) - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-023-PN01, 19611-023-PN01,
20611-023-PN01, 18619-023-PN01,
19619-023-PN01, 20619-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

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 equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation is a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and the School Corporation, the School Corporation was ultimately responsible for compliance with the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the equipment requirements. The Cooperative did not have adequate procedures in place to ensure that equipment purchased with grant funds were properly recorded and maintained in the unit's equipment records. Equipment that was disposed of during the audit period was removed from the equipment list with no documentation of the method of disposition.

The lack of internal controls and lack of documentation for the disposition of equipment was isolated to fiscal year 2019-2020.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
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). . . ."

2 CFR 200.313(e) states in part:

"*Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions: . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the equipment requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Equipment and Real Property Management compliance requirement.

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.

SOUTH MADISON

COMMUNITY SCHOOL CORPORATION

203 SOUTH HERITAGE WAY ♦ PENDLETON IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ (765) 778-8207-FAX

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Angela Brown
Richard C. Evans
Mike H. Hanna
William Hutton
Joel P. Sandefur
Kaye Wolverton

ADMINISTRATION

Dr. Mark J. Hall
Superintendent

Andrew L. Kruer
*Assistant Superintendent for
Secondary Curriculum,
Instruction and College &
Career Readiness*

Dr. Laura M. Miller
*Assistant Superintendent for
Elementary Curriculum and
Instruction*

Kenneth S. McCarty
*Business & Operations
Manager*

Melissa Sheets
*Director of Special
Education*

WEBSITE
www.smesc.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: Corrected

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: Corrected

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

FINDING 2018-007

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

Finding 2018-009 was not corrected due to a procurement policy finding noted during the current audit of our Special Education Co-op, Hamilton Boone Madison who manages the Special Education program.

FINDING 2018-010

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Report Period: 7/1/2018 – 6/30/2020

Title of Result and Comments: Special Education Cluster (IDEA) - Procurement

Contact Persons Responsible for Corrective Action:

Ken McCarty, Business Manager
Penny Myers, Corporation Treasurer

Contact Phone Number: 765-778-2152 x 1005

Contact Email: kmccarty@smccsc.com and/or pmyers@smccsc.com

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: This finding was related to activities occurring at the Cooperative level. Due to timing differences, this finding has been resolved at the cooperative as of the end of the FY 19 school year.

Anticipated Completion Date: End of FY 19

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CORRECTIVE ACTION PLAN

FINDING 2020-002

Title of Result and Comments: Special Education Cluster – Equipment and Real Property Management

Contact Persons Responsible for Corrective Action:

Ken McCarty, Business Manager
Penny Myers, Corporation Treasurer

Contact Phone Number: 765-778-2152 x 1005

Contact Email: kmccarty@smcsc.com and/or pmyers@smcsc.com

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Director of Hamilton-Boone-Madison Special Services Cooperative learned of the requirement to include the disposition date and sale price if sold in the equipment record on January 7, 2021. At that time, columns were added to the Cooperative's equipment record indicating the date of disposition of equipment and the sale price, if any. Going forward from January 8, 2021, HBM Special Services Cooperative will track the disposition date and sale price of all equipment.

Anticipated Completion Date: January 8, 2021

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/>.