

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

RICHMOND COMMUNITY SCHOOLS

WAYNE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
07/27/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen Scalf	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Todd Terrill	07-01-18 to 07-17-20
	(Vacant)	07-18-20 to 07-21-20
	Dr. Jennifer O'Brien (interim)	07-22-20 to 06-30-21
President of the School Board	Suzanne Derengowski	01-01-18 to 12-31-18
	Brad Walton	01-01-19 to 12-31-19
	John Weber	01-01-20 to 12-31-21



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 RICHMOND COMMUNITY SCHOOLS, WAYNE 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 Richmond Community Schools (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 21, 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.

***Richmond Community Schools' Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

April 21, 2021, except for the Schedule of Expenditures  
of Federal Awards, for which the date is June 10, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 RICHMOND COMMUNITY SCHOOLS, WAYNE COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Richmond Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Opinion on the 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 its major federal program 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 2020-003. Our opinion on the major federal program is not modified with respect to this matter.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002, to be material weaknesses.

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


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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 and 2020-004, to be significant deficiencies.

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 April 21, 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. 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
FY 2018-2019 School Breakfast Program			FY 2019	\$ -	\$ 571,020	\$ -	\$ -
FY 2019-2020 School Breakfast Program			FY 2020	-	-	-	384,552
COVID-19 School Breakfast Program	Indiana Department of Education	10.553					
FY 2019-2020 School Breakfast Program			FY 2020	-	-	-	113,449
Total - School Breakfast Program				-	571,020	-	498,001
National School Lunch Program	Indiana Department of Education	10.555					
FY 2018-2019 National School Lunch Division			FY 2019	-	1,935,307	-	-
FY 2019-2020 National School Lunch Division			FY 2020	-	-	-	1,510,001
National School Lunch Program - Commodities FY 19			FY 2019	-	223,731	-	-
National School Lunch Program - Commodities FY 20			FY 2020	-	-	-	226,074
Sub-Total- National School Lunch Program				-	2,159,038	-	1,736,075
COVID-19 National School Lunch Program	Indiana Department of Education	10.555					
FY 2019-2020 National School Lunch Program			FY 2020	-	-	-	35,889
Total - National School Lunch Program				-	2,159,038	-	1,771,964
Summer Food Service Program for Children	Indiana Department of Education	10.559					
FY 2018-2019 Summer Food Service Program			FY 2019	-	37,151	-	-
FY 2019-2020 Summer Food Service Program			FY 2020	-	-	-	43,953
COVID-19 Summer Food Service Program for Children	Indiana Department of Education	10.559					
FY 2019-2020 Summer Food Service Program			FY 2020	-	-	-	312,974
Total - Summer Food Service Program for Children				-	37,151	-	356,927
Total - Child Nutrition Cluster				-	2,767,209	-	2,626,892
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
			FY 2019	-	20,000	-	-
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
FY 2018-2019 Fresh Fruit and Vegetable			FY 2019	-	76,877	-	-
FY 2019-2020 Fresh Fruit and Vegetable			FY 2020	-	-	-	70,857
Total - Fresh Fruit and Vegetable Program				-	76,877	-	70,857
Total - Department of Agriculture				-	2,864,086	-	2,697,749

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Education</u>							
Special Education Cluster(IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
IDEA Part B FY17			14217-059-PN01	-	302,282	-	-
IDEA Part B FY 18			18611-059-PN01	-	1,226,376	-	152,035
IDEA Part B FY 19			19611-059-PN01	-	-	-	1,473,826
IDEA Part B FY 20			20611-059-PN01	-	-	-	261,581
Total- Special Education Grants to States				-	1,528,658	-	1,887,442
Special Education Preschool Grants							
Preschool Grant FY 17	Indiana Department of Education	84.173	45717-059-PN01	-	15,840	-	-
Preschool Grant FY 18			18619-059-PN01	-	25,948	-	13,904
Preschool Grant FY 19			19619-059-PN01	-	-	-	55,876
Preschool Grant FY 20			20619-059-PN01	-	-	-	79
Total - Special Education Preschool Grants				-	41,788	-	69,859
Total- Special Education Cluster (IDEA)				-	1,570,446	-	1,957,301
Adult Education - Basic Grants to States							
Adult Education 17-18	Indiana Department of Education	84.002	5104180P16ABEGR	-	29,312	-	-
Adult Education 18-19			V002a180014	-	11,354	-	74,506
Adult Education 19-20			V002a190014	-	-	-	122,597
Total - Adult Education- Basic Grants to States				-	40,666	-	197,103
Title I Grants to Local Educational Agencies							
Title I Grants to Local Educational Agencies 17-18	Indiana Department of Education	84.010	18-8385	-	803,240	-	-
Title I School Improvement 2017-2018			S010A170014	-	72,452	-	-
Title I Grants to Local Educational Agencies 18-19			19-8385	-	1,140,074	-	141,710
Title I School Improvement 2018-2019			S010A180014	-	-	-	855,479
Title I Grants to Local Educational Agencies 19-20			20-8385	-	-	-	1,214,430
Total - Title I Grants to Local Educational Agencies				-	2,015,766	-	2,211,619
Career and Technical Education- Basic Grants to States							
Perkins 17-18	Indiana Department of Education	84.048	18-4700-8385	-	42,175	-	-
Perkins 18-19			18-4700-4345	-	74,413	-	66,400
Perkins 19-20			20-0512-8385	-	-	-	85,666
Perkins Summer Expansion Grant 2018-2019			19A-4700-8385	-	-	-	15,232
Perkins Assessment 19-20			20-0512-A028	-	-	-	1,792
Total - Career and Technical Education - Basic Grants to States				-	116,588	-	169,090

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Education for Homeless Children and Youth Education for Homeless Children and Youth 2016-2019	Indiana Department of Education	84.196	AA58-7-17SS-3968	-	10,163	-	4,742
Total- Education for Homeless Children and Youth				-	10,163	-	4,742
Rural Education Rural Education Grant FY 2018-2019 Rural Education Grant FY 2018-2020 Rural Education Grant FY 2019-2021	Indiana Department of Education	84.358	S358B170014 S358B180014 S358B190014	- - -	33,341 - -	- - -	8,052 81,934 31,878
Total - Rural Education				-	33,341	-	121,864
English Language Acquisition State Grants English Language Acquisition State Grants FY 2016-2018 English Language Acquisition State Grants FY 2017-2019 English Language Acquisition State Grants FY 2018-2020	Indiana Department of Education	84.365	0117-090-PN01 0118-090-PN01 0119-090-PN01	- - -	11,468 15,298 5,874	- - -	- 778 4,414
Total- English Language Acquisition State Grants				-	32,640	-	5,192
Supporting Effective Instruction State Grants Supporting Effective Instruction FY 2016-2018 Supporting Effective Instruction FY 2017-2019 Supporting Effective Instruction FY 2018-2020 Title II A Teachers as Leaders Bootcamp	Indiana Department of Education	84.367	S367A160013 S367A170013 S367A180013 FY 2019-2020	- - - -	230,432 95,623 - -	- - - -	- 158,779 153,314 649
Total- Supporting Effective Instruction State Grants				-	326,055	-	312,742
Student Support and Academic Enrichment Program Student Support and Academic Enrichment Grants FY 2018-2020	Indiana Department of Education	84.424	S424A180015	-	-	-	2,177
Gaining Early Awareness and Readiness for Undergraduate Programs GEAR UP	Indiana Commission for Higher Education	84.334	FY 2019	-	1,652	-	-
Total Department of Education				-	4,147,317	-	4,981,830
Total federal awards expended				\$ -	\$ 7,011,403	\$ -	\$ 7,679,579

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

RICHMOND COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

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

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

**B. Other Significant Accounting Policies**

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

**Note 2. Indirect Cost Rate**

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

**Note 3. Subsequent Event**

The School Corporation was awarded the CARES Act II award, CFDA 84.425, Project No. S425D210013 in the amount of \$6,121,450 on August 19, 2020. This is a reimbursable grant. This award includes funding for 1,477 student devices (\$434,100); 380 teacher devices (\$190,000); and 310 in-home, student connectivity solutions (\$155,000). The award is not restricted to the specified amounts for each activity; however, grant funds may only be used to reimburse expenditures directly associated with the activities outlined above.

RICHMOND COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	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
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**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 in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect or allow correction of errors prior to submission.

RICHMOND COMMUNITY SCHOOLS  
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 School Breakfast Program, National School Lunch Program, National School Lunch Program-Commodities, Summer Food Service Program for Children, Child Nutrition Discretionary Grants Limited Availability, and Fresh Fruit and Vegetable Program grants were omitted in both years of the audit period, which understated expenditures by \$2,864,086 in fiscal year 2018-2019, and \$2,697,749 in 2019-2020.
2. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

*Criteria*

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.62 states in part:

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

- (a) Transactions are properly recorded and accounted for, in order to:
  - (1) Permit the preparation of reliable financial statements . . ."

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

*Cause*

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

*Effect*

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2020-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 School Breakfast Program, National School Lunch Program, COVID-19 National School Lunch Program, Summer Food Service Program for Children, COVID-19 Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019, FY 2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

*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 Cash Management compliance requirement.

The School Corporation established a system of internal controls in which the Food Service Director (Director) created a monthly report that included monthly receipts and disbursements. The Director then compared the ending balance to the three months average expenditures. The report was reviewed and approved by the Chief Operating Officer.

The monthly report created by the Food Service Director was provided for audit; however, the School Corporation was unable to provide any supporting documentation that the report was reviewed and approved by an employee other than the preparer.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

*Cause*

Management had not developed a system of internal controls that segregated key functions and would have ensured compliance with the Cash Management 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 compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Cash 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.

**FINDING 2020-003**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 18-8385, 19-8385, 20-8385,  
S010A170014, S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Significant Deficiency, Other Matters

*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 compliance requirement.

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(Continued)

The School Corporation had not implemented adequate internal controls to ensure that time and effort documentation was prepared and/or approved. Semi-Annual Certifications or time and effort logs were not available for 6 of the 40 employees tested.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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. . . ."

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

*Cause*

Management had not developed a system of internal controls that segregated key functions and would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement 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 a system of internal controls, including segregation of duties, to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles 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 2020-004**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 18-8385, 19-8385, S010A170014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Finding: Significant Deficiency

*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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

For fiscal year 2018-2019, the Real Time Data Reports, submitted weekly to the Indiana Department of Education, were prepared and submitted by one employee without any additional oversight, review, or approval process to ensure their accuracy.

The lack of internal controls was isolated to 2018-2019.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 compliance requirement listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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.



# Richmond Community Schools

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March 25, 2021

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2018  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Karen Scalf  
Contact Phone Number: (765)973-3333

#### Status of Audit Finding:

Corrections have been implemented and are currently in place.

Description of Corrective Action Plan: Due to the delay in audit by State Board of Accounts, corrective action could not take place until late in the Audit period. The corporation has reinstated a previously vacant position to work in the Business Office as a support in the cash and receipts area as well as other routine duties. The CFO or Deputy Treasurer will take deposits to the bank, verify postings, and approve any adjustments. A plan to correct this finding was not in place until March of 2019 due to training requirements, but is now active.

### ***FINDING 2018-002***

Fiscal year in which the finding initially occurred: 2018  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Margaret LaRue, Karen Scalf, (former – Rob Tidrow)  
Contact Phone Number: (765)973-3333

#### Status of Audit Finding:

Corrections have been implemented and are currently in place. Since the audit period, RCS went 100% Community Eligibility Provision (CEP) – it is possible that some items are not required under CEP.

#### Description of Corrective Action Plan:

Due to the delay in audit by State Board of Accounts, corrective action could not take place until late in the Audit period. Free/Reduced Confirmation review-A confirmation review will be performed on three percent (minimum) of all Free/Reduced meal applications submitted on paper. This will be accomplished by the Head Cashier with the assistance of the Food Service Clerk in the food service office. The staff will arrange applications by school and count and review the information entered into our P.O.S. (mosaic) of

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every third application. Any discrepancies will be dealt with at the time of review. Any changes in the status of meal

benefits will take place according to the D.O.E. guidelines. Online meal applications will have three percent reviewed by the Food Service Clerk. This will be accomplished by printing a listing of online applications and finding three percent. Then randomly selecting by application number, printing application and reviewing information NutriCloud imported into our P.O.S. Any discrepancies will be dealt with at the time of review and follow all D.O.E. guidelines for changes in meal benefits.

Free/Reduced Application Verification-Verification of Free/Reduced meal applications will be performed each school year according to the D.O.E. guidelines. All meal applications selected for verification will be cross referenced with the D.O.E. app center "look-up" site. The look up checks for direct certification status as well as direct verification status results. If a household is identified as directly certified or directly verified during the look up then no further verification is needed. Before ending the verification process, the Food Service Coordinator will review all paperwork, check stubs, public assistance award letters, etc. to ensure accuracy. The Food Service Coordinator will sign the verification folder to show it has been reviewed before submitting the S.F.A. report.

Cash balance-Along with the monthly comparison of revenue and expenses to the previous year, a quarterly comparison will be calculated using the revenue, expenditure, and fund reports. Each quarter, the totals will be added to 3 previous quarter figures. This average will help determine the allowable cash balance. Notes will be made if the cash balance is higher than allowable, should a near future purchase be expected.

Annual Financial Report-The Annual Financial Report is prepared by the Food Service Coordinator, using the DOE worksheet. After completion, the report will be reviewed by either the Food Service Secretary or the Chief Financial Officer.

Paid Equity Tool-The Food Service Coordinator will prepare the Paid Equity Tool using the DOE spreadsheet. The reports and the Tool will be sent to the Chief Financial Officer along with a spreadsheet to recalculate the data for accuracy. Both the Tool and the spreadsheet will be sent to the Chief Financial Officer for review and data storage.

### ***FINDING 2018-003***

Fiscal year in which the finding initially occurred: 2018

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Margaret LaRue, Karen Scalf, (former – Rob Tidrow)

Contact Phone Number: (765)973-3333

Status of Audit Finding:

Corrections have been implemented and are currently in place.

Description of Corrective Action Plan:

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Suspension and Disbarment-Each year when the Food Service Bid tabulation is completed and awarded, all awarded vendor companies will be checked on Sam.gov to be sure the company is in good standing. All new companies to be purchased from will be checked before awarding purchase orders.

### **FINDING 2018-004**

Fiscal year in which the finding initially occurred: 2018

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dawn Sonsini (formerly Corey Hartley), Michael Shunneson, Karen Scalf, Jennifer O'Brien

Contact Phone Number: (765)973-3333

Status of Audit Finding:

Corrections have been implemented and are currently in place.

Description of Corrective Action Plan:

We understand the finding and have put the following actions into place: Dual signature verification will be put into place immediately for all reporting and compliance requirements. Student Management Operations Specialist will reply to appropriate administrator for verification of data received and entered prior to submittal. SMO Specialist will provide written documentation to administrator post submittal. Documentation of verification will be maintained by the SMOS. Verification of vendors status has been occurring since May 2018 and is in place. The Business Office will verify all purchase orders using federal funds over the micro purchase threshold of \$3,500 that they contain a minimum of three quotes prior to processing. Quotes will be documented with date of receipt and initialed by grant administration. An assessment system security policy will be passed by the board prior to July 1, 2019.

The repeat findings were corrected immediately upon knowledge of the finding in the prior Audit completed in May 2018. These findings would have been corrected in the appropriate audit period had State Board of Accounts audited in a timely fashion. Due the year(s) long delay in the prior audit being completed, the findings could not be resolved until extremely late in the audit period under current review. While we accept these findings due the inability to deny them, we do not agree with the decision to repeat them as they were corrected immediately and during the current period.

Sincerely,

Karen Scalf  
Chief Financial Officer

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6/10/21

## CORRECTIVE ACTION PLAN

### Section II

#### **FINDING 2020-001**

Fiscal year in which the finding initially occurred: 2019 & 2020

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Karen Scalf

Contact Phone Number: (765)973-3333

Status of Audit Finding: **Material Weakness**, Noncompliance

Date of Implementation of Corrective Action Plan: Immediate upon Exit Conference June 10, 2021

Description of Corrective Action Plan: RCS concurs with the finding and has SBOA for additional guidance as reference which has been provided. SEFA entry of data will be verified by dual controls to include signatures between the Business and the Superintendent Offices. Fund names, CFDA numbers, etc. will be updated to reflect names and pass through entities provided by state and federal agencies. Food Service Program Information will be entered based on sign offs between the food service management company and RCS which will include documentation from the Division of Food and Nutrition programs.

### Section III

#### **FINDING 2020-002**

Fiscal year in which the finding Initially occurred: 2019

Pass-Through Entity, If pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Margaret LaRue, Karen Scalf, (former - Rob Tidrow)

Contact Phone Number: (765)973-3333

Status of Audit Finding: Material Weakness

Date of Implementation of Corrective Action Plan: Corrections have been Implemented and are currently in place. Since the audit period, RCS went 100% Community Eligibility Provision (CEP) - it is possible that some items are not required under CEP.

Description of Corrective Action Plan:

RCS concurs with the finding and has In place corrected controls. Due to the delay In audit by State Board of Accounts, corrective action could not **take** place until late in the Audit period. Cash balance- Along with the monthly comparison of revenue and expenses to the previous year, a quarterly comparison will be calculated using the revenue, expenditure, and fund reports. Each quarter, the totals will be added to 3 previous quarter figures. This average will help determine the allowable cash balance. Notes will be made if the cash balance is higher than allowable, should a near future purchase be expected. Review and Sign off should be done between the Coordinator of Food Services or the Food Services Management Company and the Chief Financial Officer.

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### **FINDING 2020-003**

Subject: Title I - Allowable Cost/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 17-8385, 18-8385, 19-8385, 20-8385  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dawn Sonsini  
Contact Phone Number: (765)973-3300  
Compliance Requirement: Allowable Cost/Cost Principles  
Audit Finding: Significant Deficiency  
Date of Implementation of Corrective Action Plan: Immediate upon Exit Conference June 10, 2021

Description of Corrective Action Plan: RCS concurs with the finding and has established the following controls for correction of this finding. Time and Effort Logs will be maintained on all employees paid from federal grants, specifically Title I. Logs will be completed by employees, signed off by building or department supervisor/administrator and the Title I grant administrator on a schedule determined by grant deadlines and requirements. Original records will be maintained by the Title I district office and kept for the appropriate retention period per the Indiana School Retention Schedule. Copies are to also be provided to the Department of Human Resources for placement in the individual employee file to be obtained upon request of the Superintendent, CFO, or SBOA at any time.

### **FINDING 2020-004**

Subject: Title I-Special Tests and Provisions: Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 17-8385, 18-8385, 19-8385  
Contact Person Responsible for Corrective Action: Brandon Perkins  
Contact Phone Number: (766)973-3300  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Cost/Cost Principles  
Audit Finding: Significant Deficiency  
Date of Implementation of Corrective Action Plan: Corrections have already been put in place.

Description of Corrective Action Plan: RCS concurs with the finding and has established controls to correct the finding. Dual signature verification will be put into place immediately for all reporting and compliance requirements. Student Management Operations Specialist will reply to appropriate administrator for verification of data received and entered prior to submittal. Signatures will be obtained by the Student Data Management personnel prior to finalizing uploads and submittals specifically the Annual Report Card and High School Graduation Rate. Signatures will be obtained from the Office of the Superintendent, Chief Financial Officer, or Chief Human Resource Officer.

A handwritten signature in black ink, appearing to read "scay".

Chief Financial Officer

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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/>.