

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SWITZERLAND COUNTY SCHOOL CORPORATION

SWITZERLAND COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**

07/28/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Wilma Rosenberger Patti Kappes	07-01-18 to 09-30-20 10-01-20 to 06-30-21
Superintendent of Schools	Rodney Hite	07-01-18 to 06-30-21
President of the School Board	Kathryn M. Collier	07-01-18 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 SWITZERLAND COUNTY SCHOOL  
CORPORATION, SWITZERLAND 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 Switzerland County 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, 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.

***Switzerland County School Corporation's Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

June 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 SWITZERLAND COUNTY SCHOOL CORPORATION, SWITZERLAND COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-004, and 2020-005. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, 2020-004, and 2020-005, that we consider to be material weaknesses.

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

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

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated June 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.

SWITZERLAND COUNTY 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
<b>Department of Agriculture</b>							
<b>Child Nutrition Cluster</b>							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 18-19	\$ -	\$ 129,307	\$ -	\$ -
School Breakfast Program			FY 19-20	-	-	-	81,679
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	-	-	-	42,258
Total - School Breakfast Program				-	129,307	-	123,937
<b>National School Lunch Program</b>							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 18-19	-	370,930	-	-
School Lunch Program			FY 19-20	-	-	-	229,736
Commodities			FY 18-19	-	58,262	-	-
Commodities			FY 19-20	-	-	-	53,372
After School Snack			FY 18-19	-	9,810	-	-
After School Snack			FY 19-20	-	-	-	6,957
Subtotal - National School Lunch Program				-	439,002	-	290,065
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 19-20	-	-	-	119,730
After School Snack			FY 19-20	-	-	-	3,880
Subtotal - COVID-19 - National School Lunch Program				-	-	-	123,610
Total - National School Lunch Program				-	439,002	-	413,675
<b>Summer Food Service Program for Children</b>							
Summer Nutrition 5905	Indiana Department of Education	10.559					
Summer Nutrition 5905			FY 18-19	-	14,962	-	-
Summer Nutrition 5905			FY 19-20	-	-	-	10,909
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 19-20	-	-	-	42,651
Total - Summer Food Service Program for Children				-	14,962	-	53,560
Total - Child Nutrition Cluster				-	583,271	-	591,172
Total - Department of Agriculture				-	583,271	-	591,172
<b>Department of Education</b>							
<b>Special Education Cluster (IDEA)</b>							
Special Education Grants to States	Indiana Department of Education	84.027					
SSU Part B 611 FY 17			14217-140-PN01	-	50,030	-	-
SSU Part B 611 FY18			18611-036-PN01	-	248,087	-	118,817
SSU FY19 Part B 611			19611-036-PN01	-	47,072	-	284,623
SSU Part B 611 FY 20			20611-035-PN01	-	-	-	70,004
Total - Special Education Grants to States				-	345,189	-	473,444
Special Education Preschool Grants	Indiana Department of Education	84.173					
SSU Preschool 619 FY18			18619-036-PN01	-	11,540	-	3,838
SSU Preschool 619 FY 19			19619-036-pn01	-	-	-	10,475
SSU Preschool 619 FY 17			45717-140-PN01	-	853	-	-
Total - Special Education Preschool Grants				-	12,393	-	14,313
Total - Special Education Cluster (IDEA)				-	357,582	-	487,757

SWITZERLAND COUNTY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title IA FY18 4118			18-7775	-	320,803	-	-
Title IA FY19 4119			18611-001-PN01	-	329,338	-	177,934
Title IA FY20			18611-001-PN01	-	-	-	248,828
Total - Title I Grants to Local Educational Agencies				-	650,141	-	426,762
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
21st Century 6608			S287C160014	-	4,402	-	-
21st Century 6609			S287C170014	-	69,025	-	117,112
21st Century 6609			S287C180014	-	-	-	103,931
Total - Twenty-First Century Community Learning Centers				-	73,427	-	221,043
Rural Education	Indiana Department of Education	84.358					
Title VI-B FY16 6878			S358B160014	-	35,415	-	-
Title VI-B FY17 6879			S358B170014	-	12,257	-	15,927
Title VI-B FY18 6870			S424A180014	-	-	-	20,355
Total - Rural Education				-	47,672	-	36,282
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA FY16 6848			S367A160013	-	55,585	-	-
Title II-A FY17 6849			S367A170013	-	28,934	-	43,131
Title II-A FY18			S367A180013	-	-	-	43,468
Total - Supporting Effective Instruction State Grants				-	84,519	-	86,599
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV-A 5879			2018-424-257	-	-	-	30,745
Title IV-A FY 19 5870			2019-424-257	-	-	-	10,904
Total - Student Support and Academic Enrichment Program				-	-	-	41,649
Total - Department of Education				-	1,213,341	-	1,300,092
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid 6460			FY 18-19	-	40,437	-	-
Medicaid 6460			FY 19-20	-	-	-	44,899
Total - Medical Assistance Program				-	40,437	-	44,899
Total - Medicaid Cluster				-	40,437	-	44,899
Opioid STR	Indiana Department of Education	93.788					
21st Century CURES Grant 6509			31546	-	46,757	-	-
Total - Department of Health and Human Services				-	87,194	-	44,899
Total federal awards expended				\$ -	\$ 1,883,806	\$ -	\$ 1,936,163

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

SWITZERLAND COUNTY 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 Madison Area Educational Special Services Unit (MAESSU), a special education cooperative. The MAESSU serves as the fiscal agent for the operation of the special education federal grant programs of the School Corporation. As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented in the receipts and disbursements in the financial statement of the School Corporation.

SWITZERLAND COUNTY 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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

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

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2020-001**

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

*Repeat Finding*

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

*Condition and Context*

The School Corporation had not established 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).

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not properly review the federal grant information entered into Gateway. Although the Treasurer prepared and entered the federal award information into Gateway and another business office employee reviewed it prior to submission, the internal control was not effective and did not detect and allow for the correction of errors prior to submission.

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

1. The Child Nutrition Cluster expenditures were overstated by \$478,728.
2. The Supporting Effective Instruction State Grants expenditures were understated by \$43,468.
3. The Medical Assistance Program expenditures were understated by \$39,431.
4. Other errors included incorrect program names and other 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:

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

*Cause*

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

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

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

*Views of Responsible Officials*

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

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

**FINDING 2020-002**

Subject: Special Education Cluster (IDEA) - Suspension and Debarment  
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): 18611-036-PN01, 18619-036-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*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 suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the suspension and debarment requirements. The Cooperative did not have adequate procedures in place to verify that vendors were not suspended or debarred from participation in federal programs prior to entering into a covered transaction with those vendors.

There were three contracts that exceeded \$25,000 in fiscal year 2019-2020. The Cooperative did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into the contracts.

The lack of internal controls and noncompliance were isolated to 2019-2020.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

SWITZERLAND COUNTY SCHOOL CORPORATION  
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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the suspension and debarment requirements of 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 suspension and debarment 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 suspension and debarment requirements of 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.

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2020-003***

Subject: Child Nutrition Cluster - Internal Controls  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 18-19, FY 19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)  
Audit Finding: Material Weakness

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

The verification of free and reduced-price applications was performed by one individual. There was no segregation of duties, such as an oversight, review, or approval process, to ensure the verification was properly completed.

The lack of internal controls was a systemic issue, which occurred 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). . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish an effective internal control system could have enabled noncompliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective internal controls, including segregation of duties, to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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 18-19, FY 19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-005.

*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 and Suspension and Debarment compliance requirement.

The School Corporation was unable to provide documentation that micro-purchases of less than \$10,000 were distributed among qualified suppliers.

The School Corporation was a member of the Food 2 School Cooperative (Service Center). During the audit period, the Service Center solicited, evaluated, and awarded bids for products on behalf of its members. The School Corporation relied on the Service Center to carry out procurements and to ensure vendors were not suspended or debarred, with no oversight, review, or approval processes in place.

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

SWITZERLAND COUNTY 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 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable."

*Cause*

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

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2020-005***

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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 18-19, FY 19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*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 and Suspension and Debarment compliance requirement.

The School Corporation was a member of the Wilson Education Center (Service Center). During fiscal years 2018-2019 and 2019-2020, the Service Center solicited, evaluated, and awarded bids for bread, milk, and other products on behalf of its members.

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

*Procurement*

Bids for bread and milk were originally awarded for 2016-2017. Each contract included a clause stating that the contract could be extended for 3 additional 12-month periods by mutual written agreements. The Service Center could not provide written contracts of the mutually agreed-upon extensions of the bread and dairy bids for 2018-2019 and 2019-2020. For 2019-2020, the Service Center had emails with the contractor that noted the agreement to extend the contract.

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

*Suspension and Debarment*

Bids for bread and milk were originally awarded for 2016-2017. Each contract included a clause stating that the contract could be extended for 3 additional 12-month periods by mutual written agreement, along with a clause noting that the vendor was not suspended or debarred. The Service Center could not provide documentation of the mutually agreed-upon contracts for the extensions of the bread and dairy bids for 2018-2019 and 2019-2020. The Service Center obtained certifications for 2019-2020 from the vendors for bread and milk that stated they were not suspended or debarred. The Service Center did not provide documentation that procedures were performed to verify the vendors were not suspended or debarred for 2018-2019.

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

SWITZERLAND COUNTY 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 200.318(a) states: "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."

2 CFR 200.318(i) states:

"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 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

(b) 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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

*Cause*

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

SWITZERLAND COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material 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 internal controls to ensure compliance and comply with the grant agreement and 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.

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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.

# Switzerland County School Corporation

Office of Superintendent

1040 W. Main St.

Vevay, IN 47043

(812) 427-2611

Fax (812) 427-2044

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2018-001 Not Corrected**

Fiscal year in which the finding initially occurred: 2018

Contact Person Responsible for Corrective Action: Patti Kappes

Contact Phone Number: 812-427-4215

Status of Audit Finding:

The Treasurer prepares and submits the Annual Financial Report in Gateway. The Grant's director reviews the report. S/he signs the report for verification; however, the Treasurer will begin providing additional guidance and documentation to the Grant Director to ensure the SEFA is materially correct.

### **Finding 2018-002 Not Corrected**

Fiscal year in which the finding initially occurred: 2018

Contact person responsible for the Corrective Action: [Patti Kappes](#) and [Fred Ross](#)

Contact Phone Number: 812-427-4215

We will obtain quotes from vendors for purchases that exceed the small purchase threshold.

### **Finding 2018-003 Corrected**

Fiscal year in which the finding initially occurred: 2018

Contact person responsible for the Corrective Action: [Patti Kappes](#) and [Fred Ross](#)

Contact Phone Number: 812-427-4215

Beginning in 2019 the Indiana Testing Security and Integrity Agreement will be kept at each individual school. The Title I Director will also keep a copy in his office.

# Switzerland County School Corporation

Office of Superintendent

1040 W. Main St.

Vevay, IN 47043

(812) 427-2611

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **Finding 2018-004 Corrected**

Fiscal year in which the finding initially occurred: 2018

Contact Person responsible for the Corrective Action: Patti Kappes and [Gayla Bullock](#)

Contact Phone Number: 812-427-4215

**Program Income:** The Treasurer prints monthly sales reports for meals served at each building and transfers the appropriate amount from the prepaid to the cafe fund. The report is signed off and verified by the Cafe Director.

**Cash Management:** The Food Service Director tracks the cafe expenditures to determine a three month average and compares the average expenditures quarterly. The reports are signed by the Food Service Director and verified by the Corporation Treasurer.

**Eligibility:** The Food Service Director continues to identify students who are direct certifications and enters the information in the cafeteria software. The Cafe secretary will randomly select and check student lists provided by the state and cafe software for accuracy.

### **Finding 2018-005 Partially Corrected**

Fiscal year in which the finding initially occurred: 2018

Contact Person responsible for the Corrective Action: Patti Kappes and [Gayla Bullock](#)

Contact Phone Number: 812-427-4215

**Procurement:** To comply with Procurement requirements, the Food Service director attended training classes to improve on the child nutrition procurement process. The Food Service director is obtaining documentation for micro purchases and it will be reviewed by the Treasurer. The Food Service director is obtaining quotes for purchases exceeding the micro threshold or providing documentation for sole source purchases. The Food Service Director is purchasing food through HPS. SCSC is also a member of the Food 2 School Co-op. The Food Service Director will obtain the quotes from the Co-op for small purchases and any purchases over the simplified acquisition threshold. Controls are in place to insure the bidding process for large purchases over \$150,000. The Treasurer will attach any documentation to the appropriate purchase order.

**Suspension and Debarment:** The Business Office will verify vendors with anticipated payments over \$25,000 are not on the suspended or debarred list. The agreement between SCSC and the vendor contains a statement which certifies that the vendor is not on the suspended and debarred list. Agreements through the Wilson Education Center Procurement will be obtained and retained in local records.

# Switzerland County School Corporation

Office of Superintendent  
1040 W. Main St.  
Vevay, IN 47043  
(812) 427-2611  
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## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Patti Kappes  
Contact Phone Number: (812)427-4215

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school Treasurer will provide the Grant's Director the training and information to properly verify all financial reports. Once verified the information is correct the Grant's director will sign the financial reports and the Treasurer will submit.

Anticipated Completion Date: June 30, 2021

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

Contact Person Responsible for Corrective Action: Patti Kappes  
Contact Phone Number: (812)427-4215

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The school Treasurer will verify the contracts through the special education cooperative have been verified they are not suspended or debarred from participation in federal programs before entering the contract.

Anticipated Completion Date: June 30, 2021

### ***FINDING 2020-003***

Contact Person Responsible for Corrective Action: Patti Kappes and Gayla Bullock  
Contact Phone Number: (812)427-4215

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The cafeteria secretary will obtain all supporting documentation and prepare the School Food Authority (SFA) verification report. The Food

Service Director will verify proper supporting documentation was obtained and eligibility calculations were correct before the report is submitted to the IDOE.

Anticipated Completion Date: June 30, 2021

**FINDING 2020-004**

Contact Person Responsible for Corrective Action: Patti Kappes and Gayla Bullock  
Contact Phone Number: (812)427-4215

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

The Food Service Director will prepare a list of vendors used for micro purchases under \$10,000 at the beginning of each school year. The list will then be reviewed and approved by the school board. The vendors on the list will be used on a rotating basis when making micro purchases or documentation will be made when a particular vendor is used on a non-rotating basis.

The Food Service Director will ensure the Food 2 School Cooperative are in compliance with the procurement and suspension and debarment verification requirement for each vendor that is awarded bids.

Anticipated Completion Date: August 31, 2021

**FINDING 2020-005**

Contact Person Responsible for Corrective Action: Patti Kappes and Gayla Bullock  
Contact Phone Number: (812)427-4215

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The Food Service Director will verify all Wilson Center contracts and vendors are up to date and not suspended or debarred.

Anticipated Completion Date: August 31, 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/>.