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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2018 to June 30, 2020

FILED
09/23/2021

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Greg Elkins	07-01-18 to 06-30-19
	(Vacant)	07-01-19 to 07-15-19
	Gregory Roach	07-16-19 to 03-31-21
	Julie Dodd	04-01-21 to 06-30-22
Superintendent of Schools	Chad Yencer	07-01-18 to 06-30-22
President of the School Board	Philip Jones	07-01-18 to 06-30-22

STATE OF INDIANA
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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 BLACKFORD COUNTY SCHOOLS, BLACKFORD 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 Blackford County 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 September 13, 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 items 2020-001 and 2020-002, 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 items 2020-001 and 2020-002.

Blackford County 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
Paul D. Joyce, CPA
State Examiner

September 13, 2021

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

TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Blackford County 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 each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2020-008 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Special Education Cluster (IDEA) regarding Period of Performance. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2018 to June 30, 2020.

Other Matters

The 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 2020-004, 2020-005, 2020-006, and 2020-007. 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 2020-003, 2020-004, 2020-005, 2020-006, 2020-007, and 2020-008, that we consider to be material weaknesses.

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated September 13, 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
Paul D. Joyce, CPA
State Examiner

September 13, 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.

BLACKFORD COUNTY 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 18-19	$ -	$ 124,185	$ -	$ -
			FY 19-20	-	-	-	85,147
COVID-19 School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	-	-	-	7,683
Total - School Breakfast Program				-	124,185	-	92,830
National School Lunch Program	Indiana Department of Education	10.555					
			FY 18-19	-	453,636	-	-
			FY 19-20	-	-	-	331,642
Commodities			FY 18-20	-	70,628	-	33,319
Subtotal - National School Lunch Program				-	524,264	-	364,961
COVID-19 National School Lunch Program	Indiana Department of Education	10.555	FY 19-20	-	-	-	27,423
Total - National School Lunch Program				-	524,264	-	392,384
Summer Food Service Program for Children	Indiana Department of Education	10.559					
			FY 18-19	-	1,282	-	-
			FY 19-20	-	-	-	1,345
COVID-19 Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 19-20	-	-	-	164,701
Total - Summer Food Service Program for Children				-	1,282	-	166,046
Total - Child Nutrition Cluster				-	649,731	-	651,260
Total - Department of Agriculture				-	649,731	-	651,260
Department of Defense							
ROTC Language and Culture Training Grants	Direct	12.357					
			FY 18-19	-	63,023	-	-
			FY 19-20	-	-	-	63,190
Total ROTC Language and Culture Training Grants				-	63,023	-	63,190
Total - Department of Defense				-	63,023	-	63,190
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			18611-008-PN01	-	61,543	-	-
			19611-008-PN01	-	462,261	-	38,837
			20611-008-PN01	-	-	-	410,216
Total - Special Education Grants to States				-	523,804	-	449,053

BLACKFORD COUNTY 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45717-008-PN01	-	31,038	-	-
			18619-008-PN01	-	17,357	-	-
			19619-008-PN01	-	25,570	-	5,126
			20619-008-PN01	-	-	-	30,809
Total - Special Education Preschool Grants				-	73,965	-	35,935
Total - Special Education Cluster (IDEA)				-	597,769	-	484,988
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			17-0515	-	175,299	-	-
			18-0515	-	164,403	-	220,278
			19-0515	-	-	-	93,489
Total - Title I Grants to Local Educational Agencies				-	339,702	-	313,767
Career and Technical Education - Basic Grants to States	Bluffton-Harrison Metropolitan School District	84.048					
			FY 18-19	-	20,094	-	-
			FY 19-20	-	-	-	22,328
Total - Career and Technical Education - Basic Grants to States				-	20,094	-	22,328
Rural Education	Indiana Department of Education	84.358					
			FY 16-17	-	27,914	-	-
			FY 17-18	-	21,135	-	3,627
			FY 18-19	-	12,420	-	13,202
Total - Rural Education				-	61,469	-	16,829
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			17-0515	-	24,866	-	-
			18-0515	-	46,229	-	20,635
			19-0515	-	-	-	44,176
Total - Supporting Effective Instruction State Grants				-	71,095	-	64,811
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
			S424A180015	-	7,625	-	22,124
Total - Department of Education				-	1,097,754	-	924,847
Total federal awards expended				$ -	$ 1,810,508	$ -	$ 1,639,297

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

BLACKFORD COUNTY 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. Special Education Cooperative

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

BLACKFORD COUNTY 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?	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:

Name of Federal Program or Cluster	Opinion Issued
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Qualified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Internal controls were either not in place or not effective for the following significant audit areas: cash and investments, receipts, and financial reporting and closing.

Cash and Investments

Management of the School Corporation established internal controls over cash and investments for the current audit period. The Deputy Treasurer prepared the depository reconcilement and the Treasurer reviewed and signed after completion. However, the monthly depository reconcilements provided by the School Corporation for the audit period contained numerous errors and did not properly reconcile to the financial statement or the School Corporation's Financial Ledger. The School Corporation contracted with a CPA firm to assist in the preparation of their monthly depository reconciliations. The CPA firm discovered numerous differences between the bank activity and ledger transactions for both audit years and provided various reconciling adjustments throughout the audit period. Internal controls put in place by management were not effective at preventing and detecting errors in depository reconcilements for cash and investments.

Receipts

The School Corporation has not separated incompatible activities related to receipts. The same individual that collected general School Corporation receipts also made deposits into the bank account, and recorded the receipts in the financial records. Additionally, there were no segregation of duties over the collection of student activity fees. The same individual collected payments, recorded them to student accounts, and made deposits. There was no oversight or monitoring of receipts by another responsible person.

Financial Reporting and Closing

The School Corporation had internal controls in place over financial reporting and closing; however, the internal controls were not effective. The original financial statement presented for audit contained numerous errors and required revisions by the School Corporation before continuing the audit.

Context

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

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls that would have ensured proper reporting of cash and investments balances and the financial statement.

Effect

The failure to establish effective internal controls enabled misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2020-002

Subject: 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 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 control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The Child Nutrition Cluster omitted commodities for fiscal year 2018-2019 and understated commodities for 2019-2020 by $70,628 and $33,319, respectively.

2. The National School Lunch Program for 2018-2019 was overstated by $361,458.

3. Several additional grants had errors that resulted in misstatements of expenditures of $2,856,761, in total.

4. Other errors included incorrect program names and identifying numbers.

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 . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-003

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, 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, FY 18-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Account
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit report finding number was 2018-003. Also, it's a repeat finding regarding internal controls over Cash Management. The prior audit report finding number was 2018-004.

Condition and Context

An effective system of internal controls, 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, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Account compliance requirements.

Cash Management

The School Corporation had not designed or implemented a system of internal controls to monitor and ensure that the School Lunch fund's net cash resources did not exceed three months average expenditures.

Eligibility

The School Corporation had not designed or implemented an effective system of internal controls to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) (School Breakfast Program and National School Lunch Program only)

The School Corporation had not separated incompatible activities related to the eligibility verifications performed as part of the Verification Summary Reports. There was no documentation of an internal control in place, such as an oversight, review, or approval process, to ensure the eligibility determinations were properly performed.

Special Tests and Provisions - School Food Account

The School Corporation had not designed or implemented an internal control system for the receipt activity of the School Food Account. There were no internal controls in place to ensure that receipts were recorded timely or that the activity was food service related.

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:

(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 established and implemented an effective internal control system that would have ensured compliance with the grant agreement and the Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Account compliance requirements.

Effect

The failure to establish an effective system of internal controls placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

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 Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Account compliance requirements.

Views of Responsible Officials

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

FINDING 2020-004

Subject: Child Nutrition Cluster - 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: 10.533, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 18-19, FY 19-20, FY 18-20
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 system of internal controls 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 contracted with two vendors during the audit period and did not perform procedures to ensure the vendors were not excluded or disqualified from participation in federal award programs.

The lack of internal controls and noncompliance were isolated to the two vendors procured by the School Corporation.

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 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 an effective 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 system of internal controls enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls, including segregation of duties, 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.

FINDING 2020-005

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 School Breakfast Program, National School Lunch Program, COVID-19 National School Lunch Program, 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, FY 18-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
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 2018-006.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not established an effective system of internal controls to ensure that program income was being properly and timely (at least monthly) transferred from the Cafeteria Clearing fund (Fund 8400) to the School Lunch fund (Fund 800). Transfers were documented by recording a negative receipt instead of properly recording a disbursement/transfer between the funds. The negative receipt amounts could not be verified to the lunch system sales and collection reports. There were variances for each of the four months tested between the negative receipt amount recorded and the lunch system report amounts. The largest variance identified in the test occurred in March 2019. The lunch system report indicated $15,065 should have been transferred to the School Lunch fund, but that amount could not be found in the School Lunch fund.

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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 225.6(e) states in part:

"*State-Sponsor Agreement.* A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance and comply with the grant agreement and Program Income 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 2020-006

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
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, FY 18-20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls 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).

The School Corporation calculated the number of applications that needed verified for fiscal year 2019-2020, but did not test the required number of applications as calculated.

The lack of internal controls was a systemic issue throughout the audit period, and the noncompliance was isolated to 2019-2020.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 245.11(c) states in part:

"*Local educational agency requirements.* Beginning July 1, 2014, and each July 1 thereafter, local educational agencies selected by the State agency to conduct a second review of applications must ensure that the initial eligibility determination for each application is reviewed for accuracy prior to notifying the household of the eligibility or ineligibility of the household for free and reduced price meals. The second review must be conducted by an individual or entity who did not make the initial determination. This individual or entity is not required to be an employee of the local educational agency but must be trained on how to make application determinations. All individuals or entities who conduct a second review of applications are subject to the disclosure requirements set forth in § 245.6(f) through (k). . . ."

7 CFR 245.6a(c)(3) states:

"*Standard sample size*. Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

(i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or

(ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.

(iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable.

(iv) If the number of error-prone applications exceeds the required sample size, the local educational agency shall select the required sample at random, i.e., each application has an equal chance of being selected, from the total number of error-prone applications."

Cause

Management had not developed an effective 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 system of internal controls enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls 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 2020-007

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
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): 18611-008-PN01, 19611-008-PN01, 20611-008-PN01, 45717-008-PN01, 18619-008-PN01, 19619-008-PN01, 20619-008-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls 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.

The School Corporation had not established internal controls to ensure that semiannual certifications were maintained and approved in support of compensation paid to employees from grant funds. The School Corporation did not provide completed documentation that would have served as a certification of employees paid 100 percent from the Special Education Cluster (IDEA) programs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls 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 2020-008

Subject: Special Education Grants to States - Period of Performance
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 20611-008-PN01
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The School Corporation did not record the expenditures and grant reimbursements to a separate grant fund for the 20611-008-PN01 award, which would have allowed for the proper identification of transactions for the Period of Performance compliance requirement. Therefore, transactions recorded in the financial records for this grant could not be specifically identified and tested. The total expenditures for this grant were $410,216.

The lack of internal controls and noncompliance were isolated to the 20611-008-PN01 grant award and fiscal year 2019-2020.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

Questioned costs identified totaled $410,216.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance and comply with the grant agreement and Period of Performance 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.

Blackford County Schools

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Chad Yencer
Superintendent

Educating Students, Changing the World

Dr. James Trinkle II
Special Services Coordinator

Finding 2018-001

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: Blackford County Schools is developing a system of internal controls to ensure appropriate tracking and reimbursement of Federal Grants. The system will be in place to prevent, or detect or correct, errors on the Schedule of Expenditures of Federal Awards (SEFA) and ensure all available Federal Award funds are claimed by Blackford County Schools.

The System of internal controls includes:

- Data and Grant Reporting Specialist Michelle Gross prepares reimbursement reports and submits the reports to Superintendent Chad Yencer for review and approval. Superintendent Chad Yencer verifies and approves the reimbursement reports and Data and Grant Reporting Specialist Michelle Gross submits the reports to the appropriate entity for reimbursement. When reimbursements are allocated, Accounts Payable Specialist Alexa Reiter meets with Data and Grant Reporting Specialist Michelle Gross to confirm the account in which to receipt the reimbursement.
- A spreadsheet has been created tracking all grants received by Blackford County Schools. The spreadsheet is reviewed by Data and Grant Specialist Michelle Gross and Superintendent Chad Yencer on a monthly basis. This review is an additional check to ensure that all Federal Grant funds are claimed, receipted to the proper fund. Blackford County School Corporation continues to work to resolve the issue.

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Finding 2018-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Blackford County Schools experienced significant turnover in the Business Office, with the Treasurer and Deputy Treasurer resigning in 2019. Baker-Tilly, an accounting firm in Indianapolis, was engaged to review the months of 2019, bring bank reconciliations up to date and train the new Treasurer and new Deputy Treasurer to conduct bank reconciliations and produce the IDOE Form 9. Additionally, the Treasurer and Deputy Treasurer received training from our Financial Management Software vendor Skyward to ensure proper financial reporting and transaction entries. Baker-Tilly and Skyward currently remain resources for training as necessary. Blackford County School Corporation continues to work to resolve the issues.

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Finding 2018-003

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

Reporting

Blackford County Schools is working on designating or implementing adequate policies and procedures to ensure Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports, and Verification Summary Reports were accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

Eligibility

Blackford County Schools is working on designating and implementing an effective internal control system to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) – (School Breakfast Program and National School Lunch Program only)

Blackford County Schools is working on separating incompatible activities related to the eligibility verifications performed as part of the Verification Summary Reports. There was no documentation of a control in place, such as an oversight, review, or approval process, to ensure that eligibility determinations were properly performed.

Findings 2018-003 (continued)

Special Tests and Provisions – Paid Lunch Equity (National School Lunch Program only)

Blackford County Schools had not separated incompatible activities related to the accuracy of the paid lunch equity data submitted to the Indiana Department of Education for the federal award programs. There was no segregation of duties, such as oversight, review, or approval process, to ensure that accurate data was entered into the Paid Lunch Equity Tool. School Food Service Director prepares and Treasurer and School Board approve. This is corrected.

The food service director submits a monthly report that is reviewed by the treasurer and deputy treasurer for accuracy. This process will help ensure the accuracy of the annual financial report. An additional layer of checking free and reduced lunch status for students requires a food service employee check the applications and status of each student application that is submitted.

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Finding 2018-004

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: The School Lunch fund is currently being audited by Blackford County Schools. Previous Business Office Employees deposited credit card payments for school lunch prepay and textbook rental fees into the same account. Once it is established the amounts for each fund a plan will be developed to move the School Lunch fund's net cash resources to no more than three months average expenditures. This is a process that is on-going. Blackford County Schools is in the process of addressing Finding 2018-004.

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Finding 2018-005

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Blackford County Schools engaged Assets Controls to perform an inventory of all assets and equipment that is property of Blackford County Schools. The last update to the inventory report concluded on June 30, 2019.

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Finding 2018-006

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Blackford County Schools changed the Cafe Prepaid Fund Number from 9000 to 8400. Further it was established that prepaid receipts will be numbered 8400 R 1630 (student deposits). A monthly summary of all meals purchased from the prepaid account is sent to the Central Office. All purchase from the prepaid are shown as 8400 E 31900 and are transferred to 0800 R 1611. The 8400 to 0800 transfers have been and will be done monthly. All receipts, expenditures and bank statements are reconciled monthly. This is an ongoing process at this time.

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Finding 2016-007

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Due to staff turnover, Blackford County Schools had three different corporation testing coordinators from 2016-2019. We are certain the Special Tests and Provisions – Assessment System Security training occurred, however the acknowledgement files for the training sessions were not found during the audit, and were likely misplaced due to the personnel and office changes. We have retained the acknowledgement files for the training sessions for 2018-2019, and the process continues. The new Corporation Testing Coordinator, Todd Hill, is aware of this finding and is responsible for ensuring that this process is completed each school year.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer
Contact Phone Number: 765-348-7550

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
Blackford County Schools has had considerable turnover in our business office over the past few years. We have been working hard to ensure that our financial transactions and reporting have improved. We received guidance from Baker Tilly regarding our monthly bank reconciliation to provide more documentation and descriptions.

For cash and investments we are going to have our Treasurer complete the bank reconciliation and print out the funds ledger to and verify the ending bank balance and the funds ledger balance. Then have our Superintendent verify both as well and sign and date the bank reconciliation.

For receipts we plan to have each school provide documentation on receipts daily. This will be verified by the Treasurer pulling a deposit report from our bank on a daily basis. In addition the school secretaries will give their daily deposits to the Extra Curricular Account Treasurer who checks for accuracy and completion paperwork is then sent to Central Office for entering into Skyward. When this is entered by our Accounts Payable Specialist it is then checked for accuracy and batched for posting.

For financial reporting and closing after reports are prepared Blackford County Schools Treasurer and Superintendent review and verify before uploading reports.

Anticipated Completion Date:
Blackford County Schools continues to address this finding and anticipates its completion by November 30, 2021.

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CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer
Contact Phone Number: 765-348-7550

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
Our Grant Specialist maintains an accurate spreadsheet showing all grant disbursements and receipts. It is reviewed and updated monthly, and shared with the Superintendent. Blackford County Schools Treasurer runs reports to show reimbursements and expenses for each grant. By using these checks and balances, we believe the errors will be reduced.

Anticipated Completion Date:
Blackford County Schools continues to address this finding and anticipates its completion by October 31, 2021.

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CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer and Sheryl Martin, Food Service Director
Contact Phone Number: 765-348-7550 or 765-348-7560

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
After reconciling for the month, the Blackford County Schools Treasurer sends the Blackford County Schools Food Service Director the Cafeteria balance. We currently have a spend down procedure in place and are more aware of the balance in the cafeteria fund. Blackford County Schools Food Service Director checks eligibility, prepares the applications, Special Tests and Provisions, and then submits to Blackford County Schools Treasurer for review.

Beginning with the 2020-2021 school year, Blackford County Schools was approved to receive Community Eligibility Provision for four years; which eliminates the need for individual family applications for free and reduced lunches.

Receipts (deposits) are verified by Blackford County Schools Food Service Director and then sent to the Central Office for Accounts Payable/Deputy Treasurer to enter into Skyward. After receipts are entered, they are verified for correct funds and receipt total.

Anticipated Completion Date:
Blackford County Schools continues to address this finding and plans to have it completed by October 31, 2021.

Blackford County Schools

0668 W 200 S
Hartford City, IN 47348
765-348-7550

Chad Yencer
Superintendent

Educating Students, Changing the World "

Dr. James Trinkle II
Special Services Coordinator

CORRECTIVE ACTION PLAN

FINDING 2020-004

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer and Sheryl Martin, Food Service Director
Contact Phone Number: 765-348-7550 or 765-348-7560

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
The Blackford County Schools Treasurer and Food Service Director will be implementing an internal control to verify that the suspension and debarment requirement is met by using one of the three options available.

Anticipated Completion Date:
Blackford County Schools continues to work on this finding and anticipates its completion by October 31, 2021.

Blackford County Schools

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Chad Yencer
Superintendent

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Dr. James Trinkle II
Special Services Coordinator

CORRECTIVE ACTION PLAN

FINDING 2020-005

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer and Sheryl Martin, Food Service Director
Contact Phone Number: 765-348-7550 or 765-348-7560

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
At the end of the month Blackford County Schools Food Service Director sends Blackford County Schools Treasurer the (8400) Prepaid Summary Report and the Prepaid Applied Detail Report to verify the amount that needs to be transferred from Prepaid (8400) to Cafeteria (0800). Blackford County Schools Treasurer then prepares a disbursement that will be approved on the monthly docket by the board. Superintendent will review transfer monthly.

Anticipated Completion Date:
Blackford County Schools has addressed these findings and this procedure was completed on October 31, 2021.

Blackford County Schools

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Superintendent

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Special Services Coordinator

CORRECTIVE ACTION PLAN

FINDING 2020-006

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer and Sheryl Martin, Food Service Director
Contact Phone Number: 765-348-7550 or 765-348-7560

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
Blackford County Schools has been approved for Community Eligibility Program for four years. This started with the school year 2020-2021. Going forward we realize that we need to test applications. Blackford County Schools Food Service Director will complete the testing and Blackford County Schools Treasurer will review.

Anticipated Completion Date:
Blackford County Schools will complete testing upon return to traditional lunch service programming.

Blackford County Schools

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Special Services Coordinator

CORRECTIVE ACTION PLAN

FINDING 2020-007

Contact Person Responsible for Corrective Action: Michelle Gross, Grant Specialist and Julie Dodd, Treasurer
Contact Phone Number: 765-348-7550

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
Grant Specialist verifies with the Payroll Specialist which employees need to be paid out of a grant. The Payroll Specialists will change the employee's pay record to reflect the appropriate grant. This is then checked by the Grant Specialist. Reports are then run in Skyward to show employees are being paid out of the correct grant. Blackford County Schools Special Education Director will ensure that the semi-annual certifications are maintained for employees paid 100% from the grant.

Anticipated Completion Date:
Blackford County Schools continues to address this finding and anticipates its completion by October 31, 2021.

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Superintendent

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Special Services Coordinator

CORRECTIVE ACTION PLAN

FINDING 2020-008

Contact Person Responsible for Corrective Action: Julie Dodd, Treasurer
Contact Phone Number: 765-348-7550

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
Accounts Payable double-checks with Treasurer, Special Services Director and/or Grant Specialist about purchases and receipts to ensure they are being receipted or expensed accurately. We are aware that each grant award needs to have a separate fund going forward.

Anticipated Completion Date:
Blackford County Schools continues to address this finding and anticipates its completion by October 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/.