

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 2

SCOTT COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

12/14/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melinda Sparkman Christy C. Corum Casey Brewster	07-01-18 to 12-17-18 12-18-18 to 06-28-21 06-29-21 to 06-30-22
Superintendent of Schools	Dr. Marc Slaton	07-01-18 to 06-30-22
President of the School Board	Jason Kendall Christy Roberts Josh Mays Jennifer Craig	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-22



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 SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT 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 Scott County School District 2 (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 November 18, 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, 2020-002, and 2020-003, 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, 2020-002, and 2020-003.

Scott County School District 2'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

November 18, 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 SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Scott County School District 2's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in items 2020-006, 2020-007, and 2020-008 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Reporting, and Matching, Level of Effort, Earmarking that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* 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 Title I Grants to Local Educational Agencies 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 2020-010, 2020-011, and 2020-012. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004, 2020-005, 2020-006, 2020-007, 2020-008, 2020-009, 2020-010, 2020-011, and 2020-012, 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 November 18, 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

November 18, 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.

SCOTT COUNTY SCHOOL DISTRICT 2
 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					
School Breakfast Reimb. 2018-19 (4292000)			FY 18/19	\$ -	\$ 184,591	\$ -	\$ -
School Breakfast (42920.00)			FY 19/20	-	-	-	135,159
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19/20	-	-	-	10,926
Total - School Breakfast Program				-	184,591	-	146,085
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Reimb. 2018-19 (4291000)			FY 18/19	-	721,596	-	-
School Lunch (42910.00)			FY 19/20	-	-	-	525,120
Commodities				-	103,845	-	93,697
Subtotal - National School Lunch Program				-	825,441	-	618,817
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 19/20	-	-	-	40,147
Total - National School Lunch Program				-	825,441	-	658,964
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program 2018-19			FY 18/19	-	22,280	-	-
Summer Feeding Program (42940.00)			FY 19/20	-	-	-	13,581
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
School Summer Feeding Program			FY 19/20	-	-	-	253,836
Total - Summer Food Service Program for Children				-	22,280	-	267,417
Total - Child Nutrition Cluster				-	1,032,312	-	1,072,466
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
School Meal Equipment			14IN810342	-	5,323	-	-
Team Nutrition FY19			13IN351130	-	11,000	-	-
Total - Child Nutrition Discretionary Grants Limited Availability				-	16,323	-	-
Total - Department of Agriculture				-	1,048,635	-	1,072,466
Department of Labor							
WIOA Cluster							
WIOA Dislocated Worker Formula Grants	Indiana Department of Workforce Development	17.278					
Work Ethic Certification Grant			AA-30957-17-55	-	-	-	17,011
Total - WIOA Cluster				-	-	-	17,011
Total - Department of Labor				-	-	-	17,011
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Part B 611 FY17 (5254)			14217-138-PN01	-	2,516	-	-
Part B 611 FY18 (5255)			18611-138-PN01	-	163,221	-	-
Part B 611 FY19 (5253)			19611-138-PN01	-	535,004	-	-
Sp Ed Part B 611 - FY19			19611-138-PN01	-	-	-	96,951
Sp Ed Part B 611 - FY20			20611-138-PN01	-	-	-	588,620
Total - Special Education Grants to States				-	700,741	-	685,571

SCOTT COUNTY SCHOOL DISTRICT 2
 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 Part B 619 FY19 (5257) SpEd Part B 619 - FY20	Indiana Department of Education	84.173	19619-138-PN01 20619-138-PN01	- -	34,250 -	- -	- 34,757
Total - Special Education Preschool Grants				-	34,250	-	34,757
Total - Special Education Cluster (IDEA)				-	734,991	-	720,328
Title I Grants to Local Educational Agencies Title I Part A 2017-18 (4110) Title I Part A 2018-19 (4120) Title I Part A -PY20 (2019-20)	Indiana Department of Education	84.010	S010A170014 S010A180014 S010A190014	- - -	269,533 292,054 -	- - -	- 289,269 293,712
Total - Title I Grants to Local Educational Agencies				-	561,587	-	582,981
Twenty-First Century Community Learning Centers 21st Century 2017	Indiana Department of Education	84.287	S287C160014	-	19,242	-	-
Rural Education Rural Low Income FY17 (6870)	Indiana Department of Education	84.358	S358B170014	-	29,492	-	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Title II Part A - FY19 Title II Part A - FY18 Title II Part A 2017-19 (6841)	Indiana Department of Education	84.367	7000-S367A180013 7000-S367A170013 7000-S367A170013	- - -	- - 63,322	- - -	37,358 22,735 -
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	63,322	-	60,093
Student Support and Academic Enrichment Program Title IV Part A - FY18 Title IV Part A - FY19 Title IV Part A (5800)	Indiana Department of Education	84.424	S424A180015 S424A190015 S424A180015	- - -	- - 8,052	- - -	34,801 44,324 -
Total - Student Support and Academic Enrichment Program				-	8,052	-	79,125
Total - Department of Education				-	1,416,686	-	1,442,527
Department of Health and Human Services							
Medicaid Cluster Medical Assistance Program IEP Services IEP Services	Indiana Family and Social Services Administration	93.778	FY 2019 FY 2020	- -	51,486 -	- -	- 51,221
Total - Medical Assistance Program				-	51,486	-	51,221
Total - Medicaid Cluster				-	51,486	-	51,221
Total - Department of Health and Human Services				-	51,486	-	51,221
Corporation for National and Community Service							
AmeriCorps AmeriCorps - fiscal agent (9/2019-8/2020) AmeriCorps 2017-18 (6000) AmeriCorps 2018-19 (6000)	Indiana Department of Workforce Development	94.006	18AFHIN001 15AFHIN001 18AFHIN001	- - -	- 69,012 98,358	- - -	156,976 - -
Total - AmeriCorps				-	167,370	-	156,976
Total - Corporation for National and Community Service				-	167,370	-	156,976
Total federal awards expended				\$ -	\$ 2,684,177	\$ -	\$ 2,740,201

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

SCOTT COUNTY SCHOOL DISTRICT 2
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.

SCOTT COUNTY SCHOOL DISTRICT 2
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>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	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

Condition and Context

The School Corporation had not established an adequate system of internal controls 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, disbursements, other sources and uses of funds, and financial reporting and close.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

The School Corporation had not established internal controls over cash and investments. Monthly reconciliations of the depository account balance with the record balance were not performed from December 2018 through the end of the audit period. As a result, numerous errors in the recording of financial activity remained undetected.

In order to reconcile the cash record balance to the bank balance, numerous adjustments totaling (\$268,670) and (\$291,753) were made to the recorded cash balances as of June 30, 2019 and 2020, respectively.

Receipts

Internal controls were not in place to ensure receipt transactions were timely and properly recorded in the financial records. As a result, numerous errors in the recording of financial activity remained undetected including, but not limited to:

1. Electronic deposits from the Auditor of State were not recorded in the financial records in the amount of \$43,455.
2. Reversal receipt entries were made multiple times, which resulted in understated receipts in the amount of \$155,382.
3. Financial activity for the Self-Insurance fund was not recorded properly in the financial records. As a result of the errors, \$760,568 and \$1,569,007 was owed to the Self-Insurance fund from the Payroll Withholdings fund for fiscal years 2018-2019 and 2019-2020, respectively.
4. Education fund receipts were understated in the amount of \$132,610 and Debt Service fund receipts were overstated by \$132,610 in 2019-2020. The Auditor of State deducts, from the state tuition support payments to the School Corporation, the amounts owed to the state for common school loan debt repayments. The debt repayments are required to be funded by the Debt Service fund. A disbursement transaction should have been recorded from the Debt Service fund to the Education fund to reimburse the Education fund for the monies withheld by the state from the state tuition support for the debt payments.
5. Receipt transactions were not always recorded in the proper fund. Monies received for reimbursement of grant expenditures were receipted to a different fund from which the expenditures were made. The errors were not identified and corrected in a timely manner.

Disbursements

Internal controls were not in place to ensure disbursement transactions were timely and properly recorded in the financial records or to ensure that all disbursements were included on the Accounts Payable Voucher Register and approved for payment. In addition, internal controls were not in place to reconcile payroll withholding subsidiary records to ensure the proper payments were made. As a result, numerous errors in the recording of financial activity went undetected including, but not limited to:

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Transactions for the payment of state payroll taxes were not recorded in the financial records on the date the actual payment was made. Payments were recorded to the financial records each biweekly payroll period as if the tax payments were paid each pay period. However, state payroll taxes were only paid monthly and represented amounts withheld for the previous month as required by the state agencies. This resulted in disbursements for state payroll tax payments being overstated by \$66,932 in 2018-2019 and understated by \$5,421 in 2019-2020.
2. A lease payment of \$513,509 was recorded in the financial records as being paid in June 2020; however, the actual payment was not made until July 2020. This resulted in the overstatement of disbursements in 2019-2020.
3. Retirement payments of \$266,232 and \$170,536 were not recorded in the financial records in 2018-2019 and 2019-2020, respectively.
4. Actual payments made to INPRS totaled \$5,357 more than the amount recorded in the financial records in 2019-2020.
5. In 2018-2019, total amounts paid for state payroll tax withholdings exceeded the amounts recorded in the financial records by \$6,662.
6. Payments of payroll withholdings were not always recorded in the same payroll withholding fund from which the corresponding payroll deductions were receipted.
7. Payroll deductions were not paid timely. A payroll deduction was paid in December 2018 that covered withholdings for the period of July 2017 to December 2018.
8. Procedures were not properly in place to ensure self-insurance payments made were proper and any applicable reimbursements from stop loss coverage were received.

Other Sources and Uses of Funds

The School Corporation did not have internal controls related to other sources and uses. Internal controls were not in place to properly document reasons for transfers and the related approval.

The School Corporation recorded transfers in an attempt to comply with Indiana Code 20-40-2-7 and Indiana Code 20-40-18-1, requiring various funds to be closed and the fund balance transferred to newly created funds. However, the following errors were made in recording the activity:

1. A transfer of \$379,085 was made from the General fund to the Operations fund; however, per Indiana Code 20-40-2-7 the transfer should have been made to the Education fund.
2. On May 30, 2019, the transaction to close-out the School Bus Replacement fund and transfer the fund balance to the newly created Operations fund was recorded twice in the amount of \$1,019,311, which resulted in the School Bus Replacement fund having a deficit fund cash balance on June 30, 2019, and the overstatement of receipts and disbursements to the related funds. The error was not identified and corrected until December 2019.
3. Several transfers were made without documentation to support the reason for the transfers and the approval of the transfers.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

4. Errors were made in recording transfers resulting in the funds having a deficit cash fund balance. When the School Corporation attempted to correct the errors, the correcting entries were made directly to the funds' cash balances instead of properly recording the activity through receipt and disbursement transactions.

Financial Reporting and Closing

The School Corporation's internal controls over financial reporting and closing were not effective. The original financial statements presented for audit contained numerous errors and were not in agreement with the underlying financial records. Adjustments were required to the financial statements to have the financial activity agree with the underlying financial records.

The annual financial statements were compiled by combining financial activity for the two semiannual financial reporting periods. Different fund, revenue, and expense account numbers were used to report the financial activity for each of the six-month reporting periods. When the two six-month periods were combined, it resulted in the financial activity for different fund numbers, and revenue and expense accounts being combined, resulting in incorrect annualized financial statement amounts. In addition, the School Corporation recorded amounts directly to the fund cash balance instead of recording the transactions as receipts and disbursements transactions. As a result, the footing of the cash balance based upon the financial activity presented did not agree with the cash balance reflected in the financial records.

In addition to the initial adjustments made to the financial statements in order to have the financial activity reflect the underlying financial records, audit adjustments were proposed and approved by the School Corporation for the material financial statement errors identified.

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 Environment

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective. . . ."

Risk Assessment

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing.
. . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

Control Activities

"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. . . ."

Information and Communication

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties. . . ."

Monitoring Activities

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 ledgers, 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 for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Common School Funds Withheld. The exact amount withheld from the basic grant distribution for repayment of an advancement from the Common School Fund. The amount for repayment would be included on the annual budget in the Debt Service Fund, receipted to the Debt Service Fund when collected and paid to this account in the Education Fund at the same time the net amount of the basic grant distribution from the Auditor of State is receipted to 3111. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance for payment of the claim. . . ."

Indiana Code 20-40-2-7(a) states: "On January 1, 2019, the balance, as of December 31, 2018, in the school corporation's general fund shall be transferred to the education fund."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 20-40-18-1 states: "The governing body of each school corporation shall create an operations fund to be used by the school corporation after December 31, 2018."

Indiana Code 20-40-18-12(a) states:

"After December 31, 2018, any property taxes collected from a levy imposed under any of the following shall be deposited in the operations fund:

- (1) [IC 20-46-4](#) (school transportation levy) (repealed).
- (2) [IC 20-46-5](#) (school bus replacement levy) (repealed).
- (3) [IC 20-46-6](#) (capital projects levy) (repealed).
- (4) [IC 36-10-13](#) (art association and historical society levies).
- (5) [IC 36-10-14](#) (public playground levy)."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established an effective system of internal controls that would have ensured proper recording of transactions and reporting.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements remained 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 internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). No evidence was presented for audit that indicated someone other than the person entering the federal grant information reviewed the information for completeness and accuracy.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The Child Nutrition Cluster expenditures were understated by \$207,709.
2. The Medicaid Cluster expenditures were understated by \$102,707.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$176,008.
4. Several additional grants had individually immaterial errors that resulted in overstatement of expenditures of \$13,637, in total.
5. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.62 states in part:

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

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

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

Effect

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2020-003

Subject: Prepaid School Meal Accounts
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation did not have internal controls in place to ensure the Prepaid Food control account was in agreement with the subsidiary student account balance record. The School Corporation did not reconcile the detail subsidiary student account balances with the Prepaid Food fund control balance during the audit period. The subsidiary student account balance was \$15,563 and \$25,140 more than the Prepaid Food fund control account balance reported in the financial statement as of June 30, 2019 and 2020, respectively.

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. . . ."

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 Fund 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 Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, 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 for Indiana Public School Corporations, Chapter 1)

Cause

Management had not established a proper system of internal controls over the prepaid school meal accounts.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements remained undetected.

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 2020-004

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-138-PN01, 20611-138-PN01,
18611-138-PN01, 19611-138-PN01,
19619-138-PN01, 20619-138-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-003.

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 Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation had not designed or implemented a system of internal controls to ensure compliance with the Maintenance of Effort and Earmarking requirements of the Special Education Cluster (IDEA).

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Matching, Level of Effort, Earmarking 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: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed,
Special Tests and Provisions - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Special Tests and
Provisions - Participation of Private School Children

Audit Finding: Material Weakness

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Activities Allowed or Unallowed

The review of the requests for reimbursement, performed by the Title I Director, did not include a review to ensure that only expenditures for allowable activities were claimed.

Special Tests and Provisions - Participation of Private School Children

Though the School Corporation had designed an internal control, whereby the Title I Director reviewed and approved all expenditures for the participation of private school children, it was not properly implemented. Four of ten claims for private school expenditures reviewed were paid without the approval of the Title I Director. All four claims were paid in fiscal year 2019-2020.

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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Special Tests and Provisions - Participation of Private School Children 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 Activities Allowed or Unallowed and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Questioned Costs

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and Activities Allowed or Unallowed and Special Tests and Provisions - Participation of Private School Children 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 2020-006

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

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 the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not effectively implement internal controls to ensure that only allowable costs were charged to the program. Seven of thirty-one employees included on three requests for reimbursement tested did not have a semiannual certification on file to document their time and effort charged to the program. The unsupported salaries paid to employees totaled \$27,591.

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). . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 costs activity. . . ."

Cause

Management had not established a 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 material noncompliance with the Allowable Costs/Cost Principles compliance requirement to remain 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

The total amount of unsupported salaries of personnel paid from the programs during the audit period was \$27,591. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish a 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.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-007

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
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 Reporting compliance requirement.

Financial Reports

The review of the requests for reimbursement and the Final Expenditure Reports, performed by the Title I Director, did not ensure that the reports agreed to the School Corporation's financial records. Additionally, one of three financial reports tested could not be traced to the School Corporation's records.

Special Reports

The Indiana Department of Education uses the Form 9 data to classify expenditures based on the account and object code to determine State Per Pupil Expenditures. The Form 9 data submitted by the School Corporation was tested and found to be materially incorrect.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance with the Reporting compliance requirement to remain 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 grant agreement and the Reporting 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: Title I Grants to Local Educational Agencies - Level of Effort/Maintenance of Effort
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Level of Effort/Maintenance of Effort

The Indiana Department of Education prepares the Maintenance of Effort calculation on behalf of the School Corporation based on the Form 9 data submitted. The Form 9 data submitted by the School Corporation was tested and found to be materially incorrect.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Earmarking

Officials of the School Corporation were unaware that the Earmarking requirement for Parental Involvement was a mandatory spending requirement. Therefore, there were no internal controls in place related to this requirement.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not established a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance with the Matching, Level of Effort, Earmarking compliance requirement to remain 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 grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2020-009

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Special Tests and Provisions - School Food Accounts

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report with respect to Cash Management. The prior audit finding number was 2018-004.

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 Cash Management and Special Tests and Provisions - School Food Accounts compliance requirements.

Cash Management

The School Corporation had not designed or implemented a system of internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to 3-months average expenditures in accordance with cash management requirements. There was no oversight, review, or monitoring of the cash balances.

Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented a system of internal controls to ensure all revenues and expenditures of the non-profit school food service were properly accounted for.

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Cash Management and Special Tests and Provisions - School Food Accounts 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 Cash Management and Special Tests and Provisions - School Food Accounts compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and Cash Management and Special Tests and Provisions - School Food Accounts 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 2020-010

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, 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: Eligibility
Audit Findings: Material Weakness, Other Matters

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

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

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 Eligibility compliance requirement.

The School Corporation had only one individual that input, checked, and confirmed the status of all applicants that applied for free or reduced lunch within the school lunch program.

During fiscal year 2018-2019, two applications were incomplete as they did not include income to support the eligibility status which was determined to receive reduced benefits. During 2019-2020, one application was incomplete as they did not include income to support the eligibility status which was determined to receive free benefits. In addition, two applications had incorrect eligibility determinations as they were determined to receive reduced benefits when they were eligible for free benefits.

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 245.6(a)(5) states:

"Required income information. The information requested on the application with respect to the current income of the household must be limited to:

- (i) The income received by each member identified by the household member who received the income or an indication which household members had no income; and
- (ii) The source of the income (such as earnings, wages, welfare, pensions, support payments, unemployment compensation, social security and other cash income). Other cash income includes cash amounts received or withdrawn from any source, including savings, investments, trust accounts, and other resources which are available to pay for a child's meals or milk."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 245.6(c)(4) states:

"Calculating income. The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance with the grant agreement and the Eligibility compliance requirement. 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 grant agreement and the Eligibility 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 2020-011

Subject: School Breakfast Program, National School Lunch Program - 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

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

Repeat Finding

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not established an effective system of internal controls 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.

In fiscal year 2018-2019, there was an instance where one application was changed from reduced priced to free benefits based on the income calculation completed by the School Corporation. The income was incorrectly calculated as it was based on the net pay rather than the gross pay of the applicants. In addition, the School Corporation could not provide any supporting documentation for the six applications selected under Direct Verification.

In 2019-2020, 12 of 18 applicants selected by the School Corporation for verification were deemed eligible for free or reduced priced benefits due to direct certification during the initial application process. In completing the SFA Verification Collection Report, School Corporations are instructed not to include those applications that had been reviewed already as direct certification.

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 245.6a(h) states in part:

"Verification reporting and recordkeeping requirements. By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure compliance and that documentation was maintained and made available for audit related to 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 enabled noncompliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement to remain 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 grant agreement and 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 2020-012

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 2018-006.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Procurement

The School Corporation did not have internal controls in place to ensure the purchasing method used complied with federal requirements. The School Corporation did not provide supporting documentation to show that an adequate number of quotes were obtained for all small purchases with estimated costs above \$10,000. There were six vendors noted where supporting documentation was not presented for audit. The School Corporation also did not provide supporting documentation that a bid was obtained from one vendor during fiscal year 2018-2019 that, under the simplified acquisition method of procurement, required obtaining sealed bids.

Suspension and Debarment

There were no internal controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors paid with federal grant monies were not suspended or debarred from participation in federal programs before entering into a covered transaction.

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 200.320 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.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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 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 the 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

The School Corporation 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 system of internal controls enabled material noncompliance with the with the grant agreement and the Procurement and Suspension and Debarment compliance requirement to remain 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.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of 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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Ongoing implementation of a two-signature process to verify the accuracy and completeness of the federal grant awards prior to submission of reports.

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Ongoing implementation of

- 1) Modified Purchase Order Request Forms will require requests for purchases over \$3500 to be submitted with at least three quotes and signed by the requisitioner before approval would be granted by the appropriate administrator(s) and director(s).*
- 2) For reporting purposes, the requirement internally will be for all monthly Title I reimbursement requests as well as the Annual Expenditure Reports to be signed by two of the three administrative positions (Superintendent, Title One Director, Asst Supt/CFO).*

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

Ongoing implementation includes training of the Director of Special Education in the area of the Matching, Level of Effort, Earmarking - Maintenance of Effort (MOE) requirements. Implementation also includes CFO oversight, review and approval of the process to ensure compliance with requirements.



YOUR **PATH** TO A BRIGHTER **FUTURE**
SCOTT COUNTY SCHOOL DISTRICT 2

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Scott County School District 2 established the procedures and protocols in the Fall of 2018 of having the Food Service Director review the month end food service revenue and expenditures provided by the Business Manager to better monitor cash balance. As of today, this has not consistently been maintained once Scott 2 changed Business Managers between calendar years 2018 and 2019.

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Scott County School District 2 has a multi-person verification process with two separate people creating separate food count/reimbursable meal spreadsheets and then cross checking both of them against each other. There is also a review of the documents by the Business Manager prior to state upload by the Food Service Director.

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Scott County School District 2 Food Service Director is part of the statewide coop in which we purchase from Prairie Farms and Gordon Food Services. Scott 2 also purchases from Piazza but could not produce certification documentation to verify that they were not suspended or disbarred from Government programs. Thus, Scott 2 has partially complied with the recent findings. The Food Service Director is now clearly aware of the expectations and requirements as it relates to this finding.



FINDING 2018-007

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

The completed correction includes a cross check between the Food Service Administrative Assistant and the Food Service Director that is then reviewed monthly by the CFO or Treasurer prior to state level submission.

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Ongoing implementation includes the submission of the Annual Financial Report to the state and a copy is kept on the Business Office Shared Drive Server.

There have been issues with this being submitted timely and also the Internal Control was not adequately implemented as the signature requirements were not implemented.

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Ongoing implementation includes a procedure of keeping all supporting documentation as it relates to the verification of the Free and Reduced Applications received, including cross-referencing the applications with the direct certification records to ensure verification of applications does not include those already direct-certified. The cross-referencing and sign-off indicating the above procedure will include the Food Services Director and at least one other staff member within the administrative central office.



YOUR **PATH** TO A BRIGHTER **FUTURE**
SCOTT COUNTY SCHOOL DISTRICT 2

FINDING 2018-010

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Scott County School District 2 began using the Paid Lunch Equity tool in 2016 and in July 2018, the board increased the paid lunch prices by \$.10. The board then again in June of 2019 increased the paid lunch prices by \$.10. In May of 2020, the Scott County School District 2 board again approved a paid lunch price increase of \$.10. As we know, the FDA approved and the State of Indiana adopted free meals for all students for the 2020-2021 and 2021-2022 school years.



CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Monthly reconciliations of the depository account balance with the record balance shall be performed immediately following each month without exception with documented and signed reviews of reconciliations completed by no fewer than two additional reviewers employed within the business office of the school district and/or a contracted firm with expertise and experience in such reconciliations (i.e. Baker-Tilly). At least one reviewer shall be either the Payroll Director or Deputy and their review shall include confirmation of the accurate recording of all payroll taxes, benefits deductions, and the related payments to other entities or Funds (State/Fed IRS, INPRS, Self Insurance, etc) as well as any related receipts. For other sources and uses, each and every transfer of funds shall include within the accounting system a notation indicating the date of approval note the completed upload date of the transfer resolution uploaded into the Gateway reporting system. In addition, confirmation of all completed reconciliations shall be uploaded monthly to the Gateway reporting system. The Annual Financial Report (AFR) input into Gateway shall agree with the ledger and to ensure the ledger and AFR agree, a documented review of both shall be completed by the CFO and at least one other person (Deputy Treasurer or Treasurer) with that documentation kept on file in the business office.

Anticipated Completion Date: December 2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to entering federal award information into the Indiana Gateway reporting system, no fewer than two people shall review and document their review and agreement with the accuracy and completeness of information. At least one person shall be the Treasurer or Deputy Treasurer and at least one person shall be the Asst Supt/CFO. Documentation of these reviews shall be maintained on file in the business office.

Anticipated Completion Date: December 2021



FINDING 2020-003

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The ECA Treasurer shall on a monthly basis reconcile the detail subsidiary student account balances with the Prepaid Food fund control balance on a monthly basis and, additionally, a documented review of the accuracy and completeness of the reconciliation shall take place by a different business office staff member (Treasurer or Asst Supt/CFO). Additionally, a documented review of the related SBOA Uniform Compliance Guidelines (Ch. 4) shall be completed and followed by the school district, including the 8400 Prepaid School Lunch Accounts and its proper use.

Anticipated Completion Date: December 2021

FINDING 2020-004

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Refresher training each December will be completed by the Director of Special Education in the areas of Matching, Level of Effort, Earmarking - Maintenance of Effort (MOE) requirements. Implementation also includes CFO oversight, review and approval of the process to ensure compliance with requirements.

Anticipated Completion Date: December 2021



FINDING 2020-005

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to processing any reimbursement request from the local, private school from the Equitable Share portion of any grant, the Director of Grants & Programs must review and sign indicating the expenditure is for allowable activities. All such requests and documentation shall be directed first to the Director of Grants & Programs for this review prior to being processed in any way by the business office.

Anticipated Completion Date: November 2021

FINDING 2020-006

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Each of semi-annual certifications of employees' time and effort shall be reviewed/documented for accuracy and completeness by both the Director of Grants & Programs and either the Payroll Director or Deputy to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Anticipated Completion Date: December 2021



FINDING 2020-007

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to submission or finalization of requests for reimbursement, Final Expenditure Reports, or Special Reports (Form 9), no fewer than three (3) of the following individuals shall review the information for accuracy and completeness, including ensuring reports agree to the district's financial records: Director of Grants & Programs, Superintendent, Assistant Superintendent/CFO, Treasurer, Deputy Treasurer.

Anticipated Completion Date: December 2021

FINDING 2020-008

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: In addition to engaging in IDOE and other provided trainings related to Earmarking requirements for parental involvement, a review of the actual spending for Parental Involvement shall take place at least quarterly with the Director of Grants & Programs and the Asst. Supt/CFO to ensure all requirements are being met throughout the grant cycle. Beginning with the July-Dec 2021 Form 9 data submitted by the school district, additional reviews of data directly related to federal grants shall be completed by district Directors involved with federal grants prior to submission.

Anticipated Completion Date: December 2021



FINDING 2020-009

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: On a monthly basis, the Food Service Director shall calculate the 3-month average expenditure in accordance with cash management requirements and provide that calculation along with the monthly cash balance to the Asst Supt/CFO to review and to double-check the calculations. In the event that the calculations result in a cash balance exceeding 3 months expenditures, the documented remedy shall be implemented to ensure compliance with requirements. On a monthly basis, the ECA Treasurer's reconciliation and proper accounting of School Food account expenditures and revenues shall have a documented review completed by both the Food Service Director and the CFO. All documented reviews shall be kept on file in the business office.

Anticipated Completion Date: December 2021

FINDING 2020-010

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The documented plan which failed to be kept in place will ensure compliance, as follows: The Food Service Director shall maintain complete free and reduced meal applications to ensure all household members are included on the applications and calculations are accurate. The ECA Treasurer shall routinely monitor the applications to ensure complete and accurate data is being used and will maintain a review log as part of the internal control.

Anticipated Completion Date: December 2021



FINDING 2020-011

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The district will keep all supporting documentation as it relates to the verification of the Free and Reduced Applications received, including cross-referencing the applications with the direct certification records to ensure verification of applications does not include those already direct-certified. The cross-referencing and sign-off indicating the above procedure will include the Food Services Director and at least one other staff member within the administrative central office.

Anticipated Completion Date: December 2021

FINDING 2020-012

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Refresher training for the Director of Food Service will take place annually with Procurement and Suspension/Debarment being among the priority topics. The expenditure shall only be processed after the Treasurer or Asst Supt/CFO confirm the purchasing method for small purchases is followed, including an adequate number of quotes for estimated costs of \$10,000 or more, and cross-referencing the list of suspended/debarred vendors not allowed to participate in federal programs.

Anticipated Completion Date: December 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/>.