

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTH BEND COMMUNITY SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2019 to June 30, 2020



**FILED**  
12/31/2021



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
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 .....	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-32
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	34-42
Corrective Action Plan .....	43-52
Other Reports.....	53

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jenise Palmer Kareemah Fowler	10-16-18 to 08-31-19 09-01-19 to 06-30-22
Superintendent of Schools	Dr. C. Todd Cummings	07-01-19 to 06-30-22
President of the School Board	John Anella	01-01-19 to 12-31-21



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE SOUTH BEND COMMUNITY SCHOOL  
CORPORATION, ST. JOSEPH COUNTY, INDIANA

We were engaged to audit the accompanying financial statements of the governmental activities and 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 statements of each major fund, and the aggregate remaining fund information of the South Bend Community School Corporation (School Corporation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 16, 2021. The opinion on governmental activities was disclaimed because we were unable to obtain sufficient appropriate audit evidence over capital assets net of accumulated depreciation for land and other capital assets of the School Corporation.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, 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 statements, 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 statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS 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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

***South Bend Community School Corporation's Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements, 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

December 16, 2021



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

TO: THE OFFICIALS OF THE SOUTH BEND COMMUNITY SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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)

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in item 2020-007 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2020-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

***Qualified Opinion on Special Education Cluster (IDEA)***

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

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the year ended 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 year ended 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 2020-002 and 2020-006. 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.

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007, that we consider to be material weaknesses.

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

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

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

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

We were engaged to audit the accompanying financial statements of the governmental activities and have audited the financial statements of each major fund and the aggregate remaining fund information of the School Corporation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements. We issued our report thereon, dated December 16, 2021. The opinion on governmental activities was disclaimed because we were unable to obtain sufficient appropriate audit evidence for capital assets net of accumulated depreciation for land and other capital assets of the School Corporation. The opinions on the financial statements of each major fund, and the aggregate remaining fund information were unmodified. 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 basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 16, 2021

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards presented were prepared by management of the School Corporation. The accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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SOUTH BEND COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 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 Subrecipients 06-30-20	Total Federal Awards Expended 06-30-2020
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program					
FY 2019-20 National School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	\$ -	\$ 1,845,363
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	-	112,400
Total - School Breakfast Program				-	1,957,763
National School Lunch Program					
FY 2019-20 National School Lunch Program Commodities	Indiana Department of Education	10.555	FY 19-20 FY 19-20	- -	5,299,818 800,027
Sub-Total - National School Lunch Program				-	6,099,845
COVID-19 - National School Lunch Program FY 2019-20 National School Lunch Program	Indiana Department of Education	10.555	FY 19-20	-	340,644
Total - National School Lunch Program				-	6,440,489
Summer Food Service Program for Children					
FY 2019-20 Summer Food Service Program	Indiana Department of Education	10.559	FY 19-20	-	159,047
COVID-19 - Summer Food Service Program for Children FY 2019-20 Summer Food Service Program	Indiana Department of Education	10.559	FY 19-20	-	1,634,505
Total - Summer Food Service Program for Children				-	1,793,552
Total - Child Nutrition Cluster					
				-	10,191,804
Child and Adult Care Food Program					
Center Meals	Indiana Department of Education	10.558	FY 19-20	-	414,734
Cash IN-Lieu			FY 19-20	-	27,754
Total Child and Adult Care Food Program				-	442,488
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 19-20	-	218,806
Total - Department of Agriculture				-	10,853,098
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
Special Education			18611-053-PN01	-	444,007
Special Education			19611-053-PN01	-	2,299,438
Special Education			20611-51-PN01	-	4,091,025
Total - Special Education to Grants to States				-	6,834,470

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 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 Subrecipients 06-30-20	Total Federal Awards Expended 06-30-2020
Special Education Preschool Grants	Indiana Department of Education	84.173			
Special Education Preschool			18619-053-PN01	-	97,895
Special Education Preschool			19619-053-PN01	-	155,318
Special Education Preschool			20619-51-PN01	-	154,738
Total - Special Education Preschool Grants				-	407,951
Total - Special Education Cluster (IDEA)				-	7,242,421
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002			
Adult Ed Basic 18/19			AE8-22	-	197,025
Adult Ed Basic 19/20			AE9-22	-	85,664
Total - Adult Education - Basic Grant to States				-	282,689
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Basic Grant Project Year 2019			S010A180014 19-7205	-	3,699,372
Title I Basic Grant Project Year 2020			S010A180014 20-7205	-	5,523,535
Title I Delinquent 18/19			S010A180014 FY2019	-	17,866
Title I Delinquent 19/20			S010A180014 FY2020	-	42,597
Title I Basic School Improvement 18/19			S010A180014 FY 2019	-	559,721
Title I Basic School Improvement 19/20			S010A180014 FY2020	-	597,273
Total - Title I Grants to Local Educational Agencies				-	10,440,364
Migrant Education State Grant Program	Indiana Department of Education	84.011			
Fall Migrant			38217-005-PN01	-	378,270
Fall Migrant			38218-001-PN01	-	562,906
Total - Migrant Education State Grant Program				-	941,176
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048			
2018-2019 Carl D Perkins Title IV			19-4700-7205	-	147,153
2018-2019 Perkins Summer Expension Grant			19A-4700-7205	-	27,473
Career and Technical Education			20-0512-7205	-	235,082
Total - Career and Technical Education -Basic Grants to States				-	409,708
School Safety National Activities CARE GRANT	Direct Grant	84.184			
			S184G190143	-	69,387
Teacher Quality Partnership Grants	Direct Grant	84.336			
			U336S190016	-	39,346
English Language Acquisition State Grants	Indiana Department of Education	84.365			
English Language Acquisition Grants			01118-081-PN01	-	141,993
English Language Acquisition Grants			01119-081-PN01	-	220,802
English Language Acquisition Grants			01120-071	-	22,778
Total - English Language Acquisition State Grants				-	385,573

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 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 Subrecipients 06-30-20	Total Federal Awards Expended 06-30-2020
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
FFY 2017 Title II, A Supporting Effective Instruction			S367A170013	-	273,734
FFY 2018 Title II, A Supporting Effective Instruction			S367A170013	-	308,671
Total - Supporting Effective Instruction State Grants				-	582,405
School Improvement Grants	Indiana Department of Education	84.377			
Title I Regular School Improvement Grant 1003(g) - Madison SY 2018-1209			S377A140015	-	189,807
Title I Regular School Improvement Grant 1003(g) - Madison SY 2019-2020			S377A140015	-	396,197
Total - School Improvement Grants				-	586,004
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV Part A (2017-2019)			S424A170015	-	39,421
Title IV Part A (2018-2020)			S424A180015	-	217,987
Title IV Part A (2019-2021)			S424A190015	-	62,799
Total - Student Support and Academic Enrichment Program				-	320,207
Total - Department of Education				-	21,299,280
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program		93.778			
Medicaid (MAC)	Indiana Department of Education		FY 19-20	-	157,942
Medicaid (IEP)	Family and Social Services Administration		FY 19-20	-	569,586
Total - Medical Assistance Programs				-	727,528
Total Medicaid Cluster				-	727,528
Total - Department of Health and Human Services				-	727,528
Total federal awards expended				\$ -	\$ 32,879,906

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

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the year ended June 30, 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.

*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.

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental activities	Disclaimer
Each major fund	Unmodified
Aggregate remaining fund information	Unmodified
 Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements 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:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$986,397

Auditee qualified as low-risk auditee? no

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

**Section II - Financial Statement Findings**

**FINDING 2020-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal controls or separated incompatible activities related to cash and investments, capital assets, depreciation expenses, accumulated depreciation, expenses, component unit, census data, and classification of receipts and disbursements.

*Cash and Investments (Bank Reconciliations)*

Internal controls had not been developed to ensure that reconciliations of the accounting record balances to the bank depository balances were completed at least monthly, as required by state statute.

The bank reconciliations for the operating, payroll, and accounts payable bank accounts (the three main bank accounts) were not performed until May 2020. The School Corporation hired a consulting firm to identify the reconciling items from the bank statements to the financial software system.

The School Corporation provided a list of over 800 reconciling items that included bank accounts that owed amounts to other bank accounts, and outstanding checks that had subsequently cleared the bank, but were still listed on the outstanding check list.

The net effect of the identified reconciling items noted was an increase in the balance of the operating bank account by \$33,628,572, and a decrease in the balance of the payroll and accounts payable bank accounts by \$4,069,560 and \$2,271,732, respectively.

The net effect of the unidentified reconciling items noted was an increase in the balance of the operating and payroll bank accounts by \$74,579 and \$122,584, respectively, and a decrease in the balance of the accounts payable bank account by \$48,358.

The School Corporation had not performed any research or posted any correcting adjustments needed due to the reconciling items identified. We requested that the School Corporation research and record corrections since it was unknown if the reconciling items would be material to the financial statements.

After further analysis and posting of corrections by the School Corporation, the bank balance exceeded the ledger and the financial statements cash and investment balances by \$110,626.

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

*Capital Assets, Depreciation Expense, and Accumulated Depreciation*

The School Corporation did not have effective internal controls in place to ensure capital assets, depreciation expense, and accumulated depreciation amounts reported in the financial statements and notes were accurate and complete.

The School Corporation was not able to provide supporting documentation for capital asset balances, depreciation expenses, and accumulated depreciation as reported in the statements and notes to the financial statements. The following errors were noted:

1. The capital asset listing provided included miscellaneous equipment totaling over \$45,000,000 for the School Corporation. There was no supporting documentation to substantiate the amount being reported or a detailed description of the miscellaneous equipment.
2. The School Corporation had not listed the buildings at estimated purchase price or fair market value at the time of acquisition as stated in its policy. The 25 buildings tested were reported as \$530,173,628 on the capital asset listing. Using the insurance fair market value provided by the School Corporation and a historical cost index, the buildings should have been listed as a total of \$181,983,762. This resulted in the 25 buildings tested to be overstated by \$348,189,866, the difference between the reported costs and the historical costs.
3. A complete physical inventory had not been performed in the past two years, and the date of the last inventory is unknown.
4. The School Corporation does not have a formal policy in place for depreciation that addresses an asset's useful life or depreciation methods.

As a result, we were unable to audit capital assets, depreciation expenses, and accumulated depreciation for the School Corporation. The opinion on the Governmental Activities reflects this matter.

*Debt Expenses*

The School Corporation did not have an oversight, review, or approval process in place to ensure that debt payments were properly posted to the ledgers in a timely manner. The School Corporation paid the 2006 General Obligation Bond on July 2, 2019, for \$1,575,943, but did not record the payment in the ledgers until December 31, 2019.

*Vendor Expenses*

The School Corporation did not have effective internal controls in place over vendor expenses. There was no documentation to verify that the list of claims entered in the software system for payment were compared to the actual invoice.

*Payroll Expenses*

The School Corporation did not segregate incompatible duties related to payroll processing as follows:

1. A human resources employee entered the employees' wages into the financial software system without an oversight, review, or approval process.

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

2. A payroll employee prepared the payroll, verified the reports, prepared the deposits, and paid the taxes without an oversight, review, or approval process.
3. A documented oversight or review process was not established for nonfederal grant employees to ensure the accuracy of the biweekly payroll claim.

*Component Unit*

The School Corporation reported the building corporation as a blended component unit; however, there were no internal controls in place for the cash and investment balances, revenue, or expense activity reported on the financial statements.

*Covered Wages for INPRS Pension Census Data*

The School Corporation had not separated incompatible activities related to the Indiana Pension Retirement System (INPRS) census data for both the Public Employees' Retirement Fund (PERF) plan and the 1996 Teachers' Retirement Fund (TRF) plan. There was no written indication that the supporting detail for the census data (covered wages) was reviewed prior to submission to ensure the census data was accurate and correctly presented.

The pension census data (covered wages) reported to INPRS did not agree with the detail by individual provided. Although the School Corporation's total of the covered wage reports by individual was comparable to the calculated covered payroll from the School Corporation's financial records for both PERF and TRF, it was not comparable to the covered wages reported to INPRS for the fiscal year ended June 30, 2019. The School Corporation's detail by individual for PERF and TRF included more than \$397,000 and \$3,400,000, respectively, than the reported covered wages to INPRS for the same time period.

*OPEB Census Data*

The School Corporation failed to establish internal controls to ensure Other Post Employment Benefits (OPEB benefits) were only paid to retirees and beneficiaries that were alive and eligible for the OPEB benefits.

*Classification of Receipts and Disbursements*

The School Corporation failed to establish internal controls to ensure that receipts and disbursements were recorded under the correct classification, which is the basis for the classification of revenues and expenditures/expenses reported in the financial statements.

The Summer Food Service Program, as part of the National School Lunch Program, was classified as State Basic Aid and should have been classified as Federal Sources. Employee benefits expenses were classified as capital outlay instead of support services.

*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:

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

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

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

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

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

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

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Account and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All documents and entries to the 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. (Account and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

*Cause*

Management of the School Corporation had not established a proper system of internal controls over financial transactions and reporting that included segregated of key functions.

*Effect*

The failure to establish an effective system of internal controls enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

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

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

**FINDING 2020-002**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/  
Cost Principles, Special Tests and Provisions - School Food Accounts  
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 Number and Year (or Other Identifying Number): FY 19-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Special Tests and Provisions - School Food Accounts  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report related to Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts. The prior audit finding number was 2019-006.

*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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of the food service program. Reports, including summary level payroll data, were provided to a knowledgeable employee for review, but the reports did not provide sufficient detail to effectively review and verify that the proper employees were paid from the School Lunch fund.

The School Corporation paid for trash removal services from the School Lunch fund without adequate documentation to support that the amount paid was an allowable cost of the federal program. All transactions related to trash removal services (services) paid from the School Lunch fund were reviewed. In all cases, the amount paid from the School Lunch fund was based on an allocation percentage of 37 percent of the entire invoice. The invoice represented the services provided to the School Corporation as a whole and did not distinguish an amount for the services provided to the school food service. The School Corporation could not provide documentation that supported that the portion allocated to the School Lunch fund was a direct cost of the federal program. The amount of questioned costs identified was \$67,768, which was the entire amount paid for trash removal services by the School Lunch fund during the audit period.

The School Corporation entered into a cost reimbursement contract, dated August 14, 2019, with a food service management company (FSMC) for the operation of the food service program. The School Corporation did not have adequate policies and procedures to ensure that the FSMC costs were supported by proper documentation, were allowable, and only for the operation of the food service program. The School Corporation did not receive itemized invoices to support the amounts paid to the FSMC; however, invoices were made available for audit when requested.

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

The lack of internal controls was a systemic issue throughout the audit period, and the noncompliance was isolated to the trash removal services expenditures.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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

*Cause*

Management had not established an effective system of internal controls that would have ensured compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system could have enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and Special Tests and Provisions - School Food Accounts compliance requirements.

*Questioned Costs*

Known questioned costs of \$67,768 were identified as described above in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance and to comply with the compliance requirements listed above.

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
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: Child Nutrition Cluster - Procurement

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 Number and Year (or Other Identifying Number): FY 19-20

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2019-007.

*Condition and Context*

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

The School Corporation did not have a system of internal controls in place for procurements that exceed the simplified acquisition and small purchase thresholds. The School Corporation did not have a system of internal controls in place to ensure that vendors were not suspended or debarred or otherwise excluded from participating in federal assistance programs prior to entering into contracts that exceeded \$25,000.

The School Corporation did not follow procurement requirements for purchases, which exceeded the simplified acquisition threshold of \$150,000. The School Corporation did not solicit bids for purchases that exceeded \$150,000. All three of the simplified acquisition procurements tested did not comply.

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$10,000 from an adequate number of sources, which fell under the small purchase procedures. All three of the small purchase procurements tested did not comply.

The School Corporation contracted with a food service management company (FSMC) for the operation of the food service program. The School Corporation did not have policies or procedures to ensure compliance with procurement requirements to verify that the invoices submitted to the School Corporation were those actually paid by the FSMC, or to ensure that the FSMC invoices included credits, for any discounts, rebates, or other credits. The School Corporation did not request, nor did the FSMC provide documentation to verify that the invoices received by the School Corporation encompassed the same invoices that were paid by the FSMC, and that the products charged were received. The School Corporation also did not verify the return of discounts, rebates, or credits from the FSMC.

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

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(i) states:

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

2 CFR 200.320 states in part:

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

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

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;  
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

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

7 CFR 210.21(f)(vi) states: "The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

*Cause*

Management had not established a system of internal controls that would have ensured compliance with the compliance requirement listed above.

*Effect*

The failure to design and implement an effective system of internal controls enabled material non-compliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement, and comply with the procurement requirement of the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2020-004**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Priced 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 Number and Year (or Other Identifying Number): FY 19-20

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP)

Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP) compliance requirement.

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

One employee performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without documentation of an oversight or review process to ensure accuracy.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced 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.

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

***FINDING 2020-005***

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): S010A180014 19-7205,  
S010A180014 20-7205,  
S010A180014 FY2019,  
S010A180014 FY2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Eligibility;  
Matching, Level of Effort, Earmarking; Reporting; Special Tests and  
Provisions - Participation of Private School Children

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2019-003 from the immediately prior audit report regarding Allowable Costs/Cost Principles and Matching, Level of Effort, Earmarking, and a repeat of Finding 2019-004 regarding Eligibility.

*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 Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, Earmarking; Reporting; and Special Tests and Provisions - Participation of Private School Children compliance requirements.

*Activities Allowed/Unallowed and Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that payroll disbursements were for allowable costs. Reports, including summary level payroll data, were provided to a knowledgeable employee for review, but the reports did not provide sufficient detail to effectively review and verify that the proper employees were paid from Title I funds.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the information submitted to the Indiana Department of Education for poverty status was supported by the School Corporation's records.

*Matching, Level of Effort, Earmarking and Reporting (State Per Pupil Expenditure - SPPE)*

The Indiana Department of Education (State) used the Form 9 financial reports submitted by the School Corporation to determine if the school met the required maintenance of effort and in the State's submission of the average State per pupil expenditure data submitted to the National Center for Education Statistics. These reports were comprised of the School Corporation's transactions recorded during the audit period.

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

The School Corporation had not designed or implemented adequate policies and procedures over payroll type disbursements related to Level of Effort, Earmarking, and Reporting requirements. Reports, including summary level payroll data, were provided to a knowledgeable employee for review, but the reports did not provide sufficient detail to effectively review and verify that the proper employees were paid from earmarked Title I funds and from the correct fund, account, and object codes. Additionally, payroll benefit disbursements were prepared by an employee without proper oversight or review for four of the 47 vendor claims tested.

*Level of Effort - Supplement Not Supplant*

The School Corporation used their comparability report to ensure they properly staffed schools with state and local funds it would have otherwise received if it were not receiving Title I funds. The report was prepared without documentation of an oversight or a review process in place.

*Special Tests and Provisions - Participation of Private School Children*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the planned services were delivered to the non-public students.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not established an effective system of internal controls that would have ensured compliance with the compliance requirements listed above.

*Effect*

The failure to design and implement an effective internal control system could have enabled non-compliance with the grant agreement and the compliance requirements to occur and remain undetected.

*Questioned Costs*

There were no questioned costs identified.

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
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 with the grant agreement and the Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, Earmarking; Reporting; 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 - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014 19-7205,  
S010A180014 20-7205,  
S010A180014 FY2019,  
S010A180014 FY2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

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 2019-005.

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the reason for a student being removed from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement, which necessitated that for students removed from the high school graduation cohort for mobility reasons, there was proper written documentation to support the identified mobility code. Of the 30 students tested, 3 students did not have the required supporting documentation to substantiate removal from the cohort for mobility reasons, and two students did not have any supporting documentation.

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

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

20 USC 7801(23)(B) states:

"To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the compliance requirement listed above.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2020-007***

Subject: Special Education Cluster (IDEA) - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-053-PN01, 19611-053-PN01,  
20611-51-PN01, 18619-053-PN01,  
19619-053-PN01, 20619-51-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Allowable Costs/Cost Principles. The prior audit finding number was 2019-009.

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of special education activities. Reports, including summary level payroll data, were provided to a knowledgeable employee for review, but the reports did not provide sufficient detail to effectively review and verify that the proper employees were paid from special education funds.

The School Corporation did not retain time records for 11 of 68 payroll transactions tested totaling \$7,118; therefore, we were unable to determine compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. The \$7,118 are considered questioned costs.

The lack of internal controls, noncompliance, and failure to retain supporting documentation 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). . . ."

SOUTH BEND COMMUNITY SCHOOL CORPORATION  
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. . . ."

2 CFR 200.403 states in part:

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

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

2 CFR 200.430(i) states in part:

". . . 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 . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance, or that supporting documentation was maintained and available for audit, related to the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system and to maintain supporting documentation for payroll costs prevented the determination of the School Corporations compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

Known questioned costs of \$7,118 were identified, as detailed in the *Condition and Context*.

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

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



SCHOLARSHIP - DIVERSITY - COMMUNITY

## Financial Services

215 South Dr. Martin Luther King Jr. Blvd.

South Bend, IN 46601

574-393-6097

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### ***Finding 2019-001***

Fiscal year in which the finding initially occurred: 2017-2019 audit

Bank Reconciliation – We are working on making corrections to the bank reconciliation process.

Prepaid Food - Due to the timing of the previous audit and the effects of the COVID on our school environment, this finding was not corrected during the audit period.

Payroll Disbursements - Due to the timing of the previous audit and the effects of the COVID on our school environment, this finding was not corrected during the audit period.



SCHOLARSHIP - DIVERSITY - COMMUNITY

Financial Services

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South Bend, IN 46601

574-393-6097

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***Finding 2019-002***

Fiscal year in which the finding initially occurred: 2013-2015 audit

Corrective Action was taken.



SCHOLARSHIP - DIVERSITY - COMMUNITY

Financial Services

215 South Dr. Martin Luther King Jr. Blvd.

South Bend, IN 46601

574-393-6097

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2019-003***

Fiscal year in which the finding initially occurred: 2015-2017 audit.

*Allowable Costs/Cost Principles and Matching, Level of Effort, Earmarking*

Due to the timing of the previous audit and the effects of the COVID on our school environment, this finding was not corrected during the audit period.

Starting in March 2020 a corrective action was taken as outlined in the corrective action plan.

*Reporting (Reimbursement Requests and Final Expenditure Reports)*

Corrective Action was taken.



SCHOLARSHIP - DIVERSITY - COMMUNITY

Financial Services

215 South Dr. Martin Luther King Jr. Blvd.

South Bend, IN 46601

574-393-6097

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2019-004***

Fiscal year in which the finding initially occurred: 2015-2017 audit

The Internal Controls over eligibility has not been corrected however the Non-compliance portion of the prior finding has been corrected as outlined in the Corrective Action.



SCHOLARSHIP - DIVERSITY - COMMUNITY

## Financial Services

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### ***Finding 2019-005***

Fiscal year in which the finding initially occurred: 2015-2017 audit

In May of 2020, training was provided to all high school staff in efforts improve the collection of the required information. The process was to take effect in August of 2020 with the start of the new school year, however due to the timing of implementation and the effects of COVID this was not corrected for the period being audited.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2019-006***

Fiscal year in which the finding initially occurred: 2015-2017 audit

The Allowable Costs/Cost Principles portion of the finding as it relates to payroll has not been corrected.

The Cash Management portion of the finding has been corrected as outlined in the Corrective Action Plan.

Special Test/Provision – School Food Account

During the Fiscal Year 2019/2020, the School Corporation didn't have any transfers. Going forward, Indirect cost transfers will be reviewed/approved by the Director of internal Audit.



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***Finding 2019-007***

Fiscal year in which the finding initially occurred: 2015-2017 audit

Due to the timing and changes that were implemented in the Food Service Program in the fall of 2019, the procurement portion of the finding was not corrected.

The Suspension and Department section of the finding has been Corrective Action was taken as outlined in the corrective action plan.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2019-008***

Fiscal year in which the finding initially occurred: 2015-2017 audit

Due to the timing of the previous audit and the effects of the COVID on our school environment, this finding was not corrected during the audit period.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2019-009***

Fiscal year in which the finding initially occurred: 2015-2017 audit

Due to the timing of the previous audit and the effects of the COVID on our school environment, this finding was not corrected during the audit period.



SCHOLARSHIP - DIVERSITY - COMMUNITY

**Financial Services**  
215 South Dr. Martin Luther King Jr. Blvd.  
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CORRECTIVE ACTION PLAN

***FINDING 2020-001***

Contact Person Responsible for Corrective Action: Alejandro Flores  
Contact Phone Number: 574-393-6183

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

***Cash and Investments***

The Director of Internal Audit will continue to research and corrections needed to clear identified reconciling items on a monthly basis.

***Capital Assets, Depreciation Expense, and Accumulated Depreciation***

The School Corporation has contracted with a company to maintain all aspects related to Capital Assets Management System which include capital assets, depreciation, accumulated depreciation, inventory and policy updates.

A disposal list of the miscellaneous equipment without supporting documentation will be created and presented to the school board for approval.

A physical inventory of the all capital assets will be taken in 2022

The Capital Asset Policy will be amended to include language to address depreciation and useful life of capital assets.

***Debt Expense***

We will establish an audit routing for Debt payments.

***Vendor Expenses***

Documentation to verify that the list of claims entered in the software system for payment were compared to the actual invoices will be retained.

We will establish an audit routing for Debt payments.

We will establish an audit routing for the payroll department. Additional staff will be hired to segregate non-compatible duties related to payroll processing.

#### *Component Unit*

Internal controls will be created to for the cash and investment balances, revenue, and expenses for the component units. Additional staff will also be assigned to implement the internal controls and to segregate non-compatible duties related to component units.

#### *Covered Wages for INPRS Pension Census Data*

We will establish an audit routing for the verification for the INPRS (Indiana Pension Retirement System) census data (covered wages) for both PERF (Public Employee's Retirement Fund) plan and the TRF1996 (Teachers' Retirement Fund) Plan. Additional staff will be assigned to segregate non-compatible duties related to the INPRS census data.

Additional staff will be hired to allow the payroll department to process and submit covered payroll information to INPRS (Indiana Pension Retirement System) in a timely manner.

#### *OPEB Census Data*

We will establish an audit routing to ensure OPEB benefits are only paid to retirees and beneficiaries that were alive and eligible for the OPEB Benefits. The Human Resources Office – Benefits Department will start using the Social Security Number Verification Service <https://www.ssa.gov/employer/ssnv.htm> beginning in January 1, 2022.

#### *Classification of Receipts and Disbursements*

We will establish an audit routing for reviewing the classification being used for revenues and expenses. Staff will be retrained on the classifications available to use for revenues and expenses.

Anticipated Completion Date: January 1, 2022



SCHOLARSHIP - DIVERSITY - COMMUNITY

Financial Services  
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574-393-6097  
CORRECTIVE ACTION PLAN

***Finding 2020-002***

Contact Person Responsible for Corrective Action: Tanera Winters  
Contact Phone Number: 574-393-6060

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

New internal control processes to ensure that programs' cost was supported by proper documentation, were allowable and only for the operation of the food service program were implemented in March of 2020. Detailed Payroll Distributions reports are being provided to knowledgeable employees for review to ensure that the proper employees were paid from the School Lunch Fund.

An alternative funding source will be used to pay for trash services.

Internal control procedures will be developed and implemented to ensure that the food service management company (FSMC) costs are supported by proper documentation, are allowable, and only for operation of the food service program. This process will be assigned to a staff member within the food service department to ensure compliance.

Anticipated Completion Date: This will be an on-going monthly process starting January 1, 2022



SCHOLARSHIP - DIVERSITY - COMMUNITY

## Financial Services

215 South Dr. Martin Luther King Jr. Blvd.

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574-393-6097

### CORRECTIVE ACTION PLAN

#### ***Finding 2020-003***

Contact Person Responsible for Corrective Action: Tanera Winters/Rahman Johnson  
Contact Phone Number: 574-393-6060/574-393-6192

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

The Purchasing Department will monitor all contracts submitted to the School Board for approval and conduct a SAM search to determine if the contractors have been suspended or debarred from doing business with the federal government. The results of the search will be placed in a shared folder that will be reviewed/monitored by the Director of Internal Audit.

The Purchasing Department will oversee all purchases made from the Food and Nutrition Department to ensure that bids are taken for all purchases exceeding \$150,000.

For small purchases exceeding \$10,000, the Food Service Department will obtain and retain at least three quotes, however due to the effects of COVID-19 and the availability of products, we are currently procuring goods from vendors that can supply goods in a timely manner to ensure we continue to provide food services to our student population.

When the Food Service Management Company (FSMC) invoices are submitted, the operations ledger which supports FSMC claim will be used to document the verification of invoices paid for the month. Due to the volume of invoices, a random sample of invoice will be pulled for testing. Supporting documentation for the verified invoices will be retained and attached to the claim.

Anticipated Completion Date: This will be an on-going monthly process starting January 1, 2022



SCHOLARSHIP - DIVERSITY - COMMUNITY

Financial Services

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574-393-6097

CORRECTIVE ACTION PLAN

***Finding 2020-004***

Contact Person Responsible for Corrective Action: Tanera Winters  
Contact Phone Number: 574-393-6060

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Since all schools within the corporation are CEP for the fiscal year 2020/2021 verification of the free and reduced lunch applications, verification is no longer required.

Anticipated Completion Date: At the beginning of the 2020/2021 fiscal year.



SCHOLARSHIP - DIVERSITY - COMMUNITY

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574-393-6097

#### CORRECTIVE ACTION PLAN

##### ***Finding 2020-005***

Contact Person Responsible for Corrective Action: Debra Martin  
Contact Phone Number: 574-393-6060

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

##### ***Activities Allowed/Unallowed & Allowable Costs/Cost Principles***

New internal control processes to ensure that programs cost was supported by proper documentation, were allowable and only for the operation of the Title I program were implemented in March of 2020. Detailed Payroll Distributions reports are being provided to knowledgeable employees for review to ensure that the proper employees were paid from the Title I Funds. Evidence of the review are then given to the Director of Internal Audit for Review.

##### ***Eligibility***

Internal controls will be created to ensure that the information submitted to the Indiana Department of Education is accurate and properly supported school records. Title I staff will also be assigned to various tasks in efforts to segregate non-compatible duties related to the Eligibility requirement. During the grant planning cycle, the Title I Budget Supervisor will be responsible for compiling and preparing documentation needed to determine eligibility using the Composite Poverty Method. The files will then be presented to the Director of Title I and School Learning for review.

##### ***Matching, Level of Effort, Earmarking and Reporting (State Per Pupil Expenditure - SPPE)***

New internal control processes to ensure that programs cost was supported by proper documentation, were allowable and only for the operation of the food service program were implemented in March of 2020. Detailed Payroll Distributions reports are being provided to knowledgeable employees for review to ensure

that the proper employees were paid from the Title I Funds. Evidence of the review are then given to the Director of Internal Audit for Review.

*Level of Effort – Supplement Not Supplant*

The comparability report used by the School Corporation (Corporation) to ensure that the Corporation properly staffed schools with state and local funds it would have otherwise received if it were not receiving Title I funds will be reviewed by the Director of Title I and School Learning.

*Special Tests and Provisions – Participation of Private School Children*

The Title I staff will follow the procedures listed in the Title I Policy and Procedures For Nonpublic School. (See attachment)

Anticipated Completion Date: Payroll Certification were implemented in March of 2020. Other Policies will be implemented in the next Title I planning cycle.

Attachment will be available upon request to this office.



SCHOLARSHIP - DIVERSITY - COMMUNITY

Superintendent's Office  
215 South Dr. Martin Luther King Jr. Blvd.  
South Bend, IN 46601  
574-393-6129

### CORRECTIVE ACTION PLAN

#### ***Finding 2020-006***

Contact Person Responsible for Corrective Action: Rafi Nolan-Abrahamian  
Contact Phone Number: 574-393-6179

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

The withdrawal procedures outlined below, followed with fidelity, have ensured accurate documentation for nearly all high school students reported to mobility. To achieve 100% compliance, the corporation will provide updated training on current withdrawal procedures to all high school enrollment teams in the Spring of 2022.

#### Procedure for Withdrawing Students from all SBCSC High Schools

Anytime a parent requests that a student withdraw from a high school, the following steps must be followed. If a parent is not requesting a transfer, the principal will complete an exit interview. All transfers will follow this procedure. (Please also see the procedure for processing no shows.)

1. Only the principal is allowed to sign the withdrawal form. If the principal is not available, an assistant principal may sign the withdrawal form and immediately email it to the principal.
2. Prior to signing the withdrawal form, the principal will speak with the parents and student to gather any information that may help the school understand why a withdrawal is necessary. Once this conversation has happened, the principal will advise the parent and student.
3. If it is determined that the student will transfer, the signed withdrawal form will be filed in a binder based on class cohort. For example, all students scheduled to graduate in the spring of 2022 will be filed with the 2022 cohort. The principal must determine the name and contact information for the receiving school.

4. It is the responsibility of the data technician to manage these cohorts by checking Learning Connection weekly. If discrepancies are visible in Learning Connection, a data technician will contact the SBCSC Department of Research and Evaluation and the IDOE.
5. The secretary of student management will forward any requests for records to the data technician to file with the student's withdrawal paperwork. (We must have a request for records for every student withdrawing from SBCSC.)
6. The data technician will follow up regarding any student with whom we did not receive a request for records for within one week of the withdrawal. The data technician will contact the receiving school and parent to locate the records request.
7. The data technician will continue to locate a request for records weekly until the request is received by SBCSC.
8. Documentation will be maintained of all efforts made to collect the information.

Anticipated Completion Date: Spring 2022

Attachment will be available upon request to this office.



**South Bend Community School Corporation  
Special Education Department  
215 S. Dr. Martin Luther King Jr. Blvd.  
South Bend, IN 46601**

**CORRECTIVE ACTION PLAN**

***FINDING 2020-007***

**Contact Person Responsible for Corrective Action:** Kathy Carr

Contact Phone Number: 574-393-6119

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

New internal control processes to ensure that programs' cost was supported by proper documentation, were allowable and only for the operation of the special education program were implemented in March of 2020. Detailed Payroll Distributions reports are being provided to knowledgeable employees for review to ensure that the proper employees were paid from the Special Education Funds.

All payroll records will be retained in each building for the purposes of verifying funds paid to staff.

A memo will be sent at the beginning of each school year to remind the principal and the secretary responsible for entering payroll that the pay sheets from each employee must be readily available for verification purposes and be retained in the building. (See attachment)

Every quarter schools will randomly be requested to submit payroll records which will be retained by the Special Ed Dept.

Anticipated Completion Date: Beginning in January 1, 2022 - Ongoing, quarterly and annual verification of payroll records and sending of memo to all principals and secretaries.

**Attachment will be available upon request to this office.**

## 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/>.