

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SOUTHEAST FOUNTAIN SCHOOL CORPORATION

FOUNTAIN COUNTY, INDIANA

July 1, 2019 to June 30, 2021



**FILED**  
05/10/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia C. Alward	07-01-19 to 12-31-22
Superintendent of Schools	Dan L. Foster Dawn Puckett (interim) Dr. Tania Grimes	07-01-19 to 09-03-20 09-04-20 to 12-31-20 01-01-21 to 06-30-22
President of the School Board	Donna J. Deel Jeff Fishero Crystal Brewer Scott Minick	01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22



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 SOUTHEAST FOUNTAIN SCHOOL  
CORPORATION, FOUNTAIN 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 Southeast Fountain School Corporation (School Corporation), for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 26, 2022, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be material weaknesses.

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Southeast Fountain School Corporation's Response to Findings***

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

***Purpose of This Report***

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



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 26, 2022



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

TO: THE OFFICIALS OF THE SOUTHEAST FOUNTAIN SCHOOL CORPORATION, FOUNTAIN COUNTY, INDIANA

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

We have audited the Southeast Fountain 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 its major federal program for the period of July 1, 2019 to June 30, 2021. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2019 to June 30, 2021.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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 2021-002, 2021-003, and 2021-004, 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**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, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated April 26, 2022, 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 26, 2022

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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.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Lunch Fund		10.553	FY 19-20	\$ -	\$ 83,243	\$ -	\$ -
School Lunch Fund		10.553	FY 20-21	-	-	-	112,134
<hr/>							
COVID-19 - School Breakfast Program	Indiana Department of Education						
National School Breakfast Program		10.553	FY19-20	-	17,644	-	-
National School Breakfast Program		10.553	FY 20-21	-	-	-	17,517
<hr/>							
Total - School Breakfast Program				-	100,887	-	129,651
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National School Lunch Program							
School Lunch Fund	Indiana Department of Education						
School Lunch Fund		10.555	FY 19-20	-	231,021	-	-
School Lunch Fund		10.555	FY 20-21	-	-	-	305,467
Commodities				-	40,715	-	60,349
<hr/>							
Subtotal - National School Lunch Program				-	271,736	-	365,816
<hr/>							
COVID-19 - National School Lunch Program							
National School Lunch Program	Indiana Department of Education						
National School Lunch Program		10.555	FY 19-20	-	38,886	-	-
National School Lunch Program		10.555	FY 20-21	-	-	-	52,042
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Total - National School Lunch Program				-	310,622	-	417,858
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Total - Child Nutrition Cluster				-	411,509	-	547,509
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Total - Department of Agriculture				-	411,509	-	547,509
<hr/>							
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
2018-19 Spec Ed 611 Part B	Indiana Department of Education						
2019-20 Spec Ed 611 Part B		84.027	19611-070-PN01	-	47,315	-	-
2020-21 Spec Ed 611 Part B		84.027	20611-073-PN01	-	188,187	-	58,563
2020-21 Spec Ed 611 Part B		84.027	21611-073-PN01	-	-	-	194,977
<hr/>							
Total - Special Education Grants to States				-	235,502	-	253,540
<hr/>							
Special Education Preschool Grants							
2019-20 Spec Ed Preschool	Indiana Department of Education						
2020-21 Spec Ed Preschool		84.173	20619-073-PN01	-	12,813	-	-
2020-21 Spec Ed Preschool		84.173	21619-073-PN01	-	-	-	12,906
<hr/>							
Total - Special Education Preschool Grants				-	12,813	-	12,906
<hr/>							
Total - Special Education Cluster (IDEA)				-	248,315	-	266,446

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Title I Grants to Local Educational Agencies	Indiana Department of Education						
2018-19 Title I Grant		84.010	S010A180014	-	64,853	-	-
2019-20 Title I Grant		84.010	S010A190014	-	146,900	-	64,568
2020-21 Title I Grant		84.010	S010A200014	-	-	-	144,267
<b>Total - Title I Grants to Local Educational Agencies</b>				<b>-</b>	<b>211,753</b>	<b>-</b>	<b>208,835</b>
Supporting Effective Instruction State Grants	Indiana Department of Education						
2017-19 Title II Part A		84.367	S367A170013	-	3,066	-	-
2018-20 Title II Part A		84.367	S367A180013	-	30,292	-	5,073
2019-21 Title II Part A		84.367	S367A190013	-	-	-	31,316
<b>Total - Supporting Effective Instruction State Grants</b>				<b>-</b>	<b>33,358</b>	<b>-</b>	<b>36,389</b>
Student Support and Academic Enrichment Program	Indiana Department of Education						
2018-20 Title IV Part A		84.424	S424A180015	-	8,557	-	-
2019-21 Title IV Part A		84.424	S424A190015	-	13,691	-	2,510
2020-22 Title IV Part A		84.424	S424A200015	-	-	-	6,501
<b>Total - Student Support and Academic Enrichment Program</b>				<b>-</b>	<b>22,248</b>	<b>-</b>	<b>9,011</b>
Education Stabilization Fund CARES Education Stabilization	Indiana Department of Education	84.425	S425D200013	-	-	-	166,582
<b>Total - Department of Education</b>				<b>-</b>	<b>515,674</b>	<b>-</b>	<b>687,263</b>
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education						
Medicaid		93.778	FY19-20, FY20-21	-	9,550	-	12,129
<b>Total - Medicaid Cluster</b>				<b>-</b>	<b>9,550</b>	<b>-</b>	<b>12,129</b>
<b>Total - Department of Health and Human Services</b>				<b>-</b>	<b>9,550</b>	<b>-</b>	<b>12,129</b>
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 936,733</b>	<b>\$ -</b>	<b>\$ 1,246,901</b>

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2020 and 2021. 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.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2021-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*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 separated incompatible activities related to payroll disbursements.

The School Corporation implemented internal controls over payroll disbursements; however, the internal controls were not applied consistently during the audit period. During testing of internal controls, there was one instance when the payroll was not reviewed and approved by another individual.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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. . . ."

*Cause*

Management had not established an effective system of internal control over payroll disbursements.

*Effect*

The failure to establish an effective system of internal control could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

*Views of Responsible Officials*

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2021-002**

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - School Breakfast Program, COVID-19 - National School Lunch Program  
Assistance Listings Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 19-20, FY 20-21  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
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 Eligibility compliance requirement.

The Free and Reduced-Price Applications (applications) were required to be submitted online. The Elementary School Secretary was responsible for verifying that the computer software made the correct determination for eligibility by verifying 10 percent of the applications. There was no evidence of an oversight, review, or approval process that ensured the eligibility determination made by the software system was accurate.

In addition, there was no evidence that the Direct Certifications were correctly and properly included in the software system, or that there was an oversight, review, or approval process over the Direct Certifications.

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 developed a system of internal control that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance 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 2021-003**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program, COVID-19 - School Breakfast Program, COVID-19 National School Lunch Program  
Assistance Listings Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 19-20, FY 20-21  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

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

The School Corporation did not have written procedures for determining the allowability of costs in accordance with 2 CFR 200 Subpart E.

The School Corporation entered into a Fixed Price Meal Contract with a food service management company (FSMC). For each meal type, a fixed price was established and billed by the FSMC based on meal counts served. The School Corporation failed to compare the invoices received from the FSMC to the School Corporation's software reports to ensure the number of meals invoiced agreed to the meals served.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The invoices from the FSMC did not match the meals served for the time frame being invoiced for three of the four invoices tested. The invoice paid on March 13, 2020, was for 7 more elementary school breakfasts and 7 more lunches than served. The invoice paid on October 21, 2020, was for 2 more elementary breakfasts and 1 more elementary lunch than was served. In addition, the October 21, 2020, invoice paid, was for 120 less high school breakfasts and 480 less high school lunches than were served. The invoice paid on March 19, 2021, was for 2 more elementary school breakfasts and 14 less elementary school lunches than were served, while the high school reported 14 more lunches invoiced than were served.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, cost 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.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. . . .

(g) Be adequately documented. . . ."

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of 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 control, including segregation of duties, to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2021-004**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
Assistance Listings Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 19-20, FY 20-21  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the claims submitted for reimbursement of meals served (reimbursement claims) were accurate. The number of meals served on the reimbursement claims did not match the meals served per the School Corporation's software system reports for two of the three reimbursements tested. The January 2020 reimbursement claim for the high school reported 11 less reduced-price breakfasts than were served. The April 2021 reimbursement claim for the elementary school reported 1 more free lunch and 2 more breakfasts than were served, and the high school reported 1 more free breakfast than was served.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 200.305 states in part:

"(a) For states, payments are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR Part 205 and Treasury Financial Manual (TFM) 4A-2000, 'Overall Disbursing Rules for All Federal Agencies'.

(b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also § 200.302 (b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard governmentwide information collection requests to request payment. . . .

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper. . . ."

*Cause*

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

*Effect*

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



## Southeast Fountain School Corporation

744 East U.S. Hwy 136  
Veedersburg, Indiana 47987  
Ph: 765-294-2254  
Fax: 765-294-3200

Tania Grimes, Ed D  
Superintendent

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### **FINDING 2019-001**

Fiscal year in which the finding initially occurred: FY19

Status of Audit Finding: Corrective action was taken

#### **FINDING 2019-002**

Fiscal year in which the finding initially occurred: FY19

Status of Audit Finding: Corrective action was taken

#### **FINDING 2019-003**

Fiscal year in which the finding initially occurred: FY19

Status of Audit Finding: Corrective action was taken

#### **FINDING 2019-004**

Fiscal year in which the finding initially occurred: FY19

Status of Audit Finding: Corrective action was taken

# *Southeast Fountain School Corporation*

744 East US Highway 136 Veedersburg, IN 47987-9783

*Home of the Mustangs*

Tania Grimes, Ed D  
Superintendent

Phone: (765) 294-2254  
Fax: (765) 294-3200

## SOUTHEAST FOUNTAIN SCHOOL CORPORATION CORRECTIVE ACTION PLAN

### **FINDING 2021-001**

Contact Person Responsible for Corrective Action: Cynthia C. Alward, Treasurer & Chelsey Campbell, Deputy Treasurer

Contact Phone Number: 765-294-2254 [alwardc@sefschools.org](mailto:alwardc@sefschools.org) [camob.elc@sefschools.org](mailto:camob.elc@sefschools.org)

#### **Views of Responsible Officer:**

We concur with the following finding and intend to make the following corrective action.

#### **Description of Corrective Action Plan:**

- Control - We intend to use a sign off sheet to be verified by a second person that Payroll Distribution Report has been reviewed.
- Plan - The Payroll Distribution Report will be presented to a second person to verify the data and sign off on the report.

**Anticipated Completion Date:** Immediately

### **FINDING 2021-002**

Contact Person Responsible for Corrective Action: Cynthia C. Alward, Treasurer & Brianna Alexander, Director of Financial Assistance

Contact Phone Number: 765-294-2254 [alwardc@sefschools.org](mailto:alwardc@sefschools.org) [alexanderb@sefschools.org](mailto:alexanderb@sefschools.org)

#### **Views of Responsible Officer:**

We concur with the following finding and intend to make the following corrective action.

#### **Description of Corrective Action Plan:**

- Control- We intend to verify that the computer software has made the correct determination for eligibility by verifying that 5 applications are correct. We will run a lunch status report at the end of each school year for both buildings showing that the application and direct certification qualifications were correctly marked in the software.  
A checklist will be created to check monthly for any changes to the direct certification status.
- Plan- The 5 applications verified for correct determination will be reviewed and signed off by a second person AND the end of the year lunch status report for both buildings will be printed, verified, and signed off by a second person.

**Anticipated Completion Date:** Immediately

# *Southeast Fountain School Corporation*

744 East US Highway 136 Veedersburg, IN 47987-9783

*Home of the Mustangs*

Tania Grimes, Ed D  
Superintendent

Phone: (765) 294-2254  
Fax: (765) 294-3200

## SOUTHEAST FOUNTAIN SCHOOL CORPORATION CORRECTIVE ACTION PLAN

### **FINDING 2021-003**

Contact Person Responsible for Corrective Action: Cynthia C. Alward, Treasurer & Shireena Allen, Food Service Manager

Contact Phone Number: 765-294-2254 [alwardc@sefschools.org](mailto:alwardc@sefschools.org) [allens@sefschools.org](mailto:allens@sefschools.org)

#### **Views of Responsible Officer:**

We concur with the following finding and intend to make the following corrective action.

#### **Description of Corrective Action Plan:**

- Control -Monthly Meals Served Report and the Monthly Item Report from the POS system will be printed and verified with the Aramark invoice for accuracy on meals served.
- Plan - 1) The treasurer will reconcile the invoice to the Monthly Meals Served Report and the Monthly Item Report to verify the number of meals served before paying the Aramark invoice. 2) The board will adopt a policy with written procedures to determine the allowable costs.

**Anticipated Completion Date:** Immediately

### **FINDING 2021-004**

Contact Person Responsible for Corrective Action: Cynthia C. Alward, Treasurer & Shireena Allen, Food Service Manager

Contact Phone Number: 765-294-2254 [alwardc@sefschools.org](mailto:alwardc@sefschools.org) [allens@sefschools.org](mailto:allens@sefschools.org)

#### **Views of Responsible Officer:**

We concur with the following finding and intend to make the following corrective action.

#### **Description of Corrective Action Plan:**

- Control - Monthly Meals Served Report from the POS system will be printed and verified with the SNP monthly reimbursement claim on meals served.
- Plan - The treasurer will reconcile the SNP reimbursement claim with the Monthly Meals Served Report from the POS system to verify the number of meals served before submitting the SNP reimbursement.

**Anticipated Completion Date:** Immediately

## 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/>.