

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SEYMOUR COMMUNITY SCHOOL CORPORATION

JACKSON COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED

05/26/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steve Nauman	07-01-19 to 06-30-22
Superintendent of Schools	Brandon Harpe	07-01-19 to 06-30-22
President of the School Board	Art Juergens	07-01-19 to 06-30-22



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

TO: THE OFFICIALS OF THE SEYMOUR COMMUNITY SCHOOL
CORPORATION, JACKSON 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 Seymour Community 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 May 9, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

May 9, 2022



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 SEYMOUR COMMUNITY SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Seymour 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 period of July 1, 2019 to June 30, 2021. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2019 to June 30, 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
(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 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated May 9, 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

May 9, 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.

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SEYMOUR COMMUNITY 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
Department of Agriculture							
Child Nutrition Cluster							
National School Lunch Program	Indiana Department of Education	10.555	FY20	\$ -	\$ 1,271,555	\$ -	\$ -
School Lunch Program		10.555	FY20	-	184,391	-	-
School Lunch Program - Commodities		10.555	FY21	-	-	-	235,158
School Lunch Program - Commodities		10.555	FY21	-	-	-	235,158
Sub-Total - National School Lunch Program				-	1,455,946	-	235,158
COVID-19 - National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY20	-	97,818	-	-
School Lunch Program		10.555	FY21	-	-	-	402,031
Sub-Total - COVID-19 - National School Lunch Program				-	97,818	-	402,031
Total - National School Lunch Program				-	1,553,764	-	637,189
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY20	-	83,319	-	-
Summer Food Service Program for Children		10.559	FY21	-	-	-	1,999,599
Sub-Total - Summer Food Service Program for Children				-	83,319	-	1,999,599
COVID-19 - Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY20	-	387,799	-	-
Summer Food Service Program for Children		10.559	FY21	-	-	-	192,559
Sub-Total - COVID-19 - Summer Food Service Program for Children				-	387,799	-	192,559
Total - Summer Food Service Program for Children				-	471,118	-	2,192,158
Special Milk Program for Children							
Kindergarten Milk Program	Indiana Department of Education	10.556	FY21	-	-	-	429
Sub-Total - Special Milk Program for Children				-	-	-	429
COVID-19 - Special Milk Program for Children							
Kindergarten Milk Program	Indiana Department of Education	10.556	FY20	-	56	-	-
Kindergarten Milk Program		10.556	FY21	-	-	-	94
Sub-Total - COVID-19 - Special Milk Program for Children				-	56	-	94
Total - Special Milk Program for Children				-	56	-	523

SEYMOUR COMMUNITY 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
School Breakfast Program	Indiana Department of Education	10.553	FY20	-	363,205	-	-
School Breakfast Program				-	363,205	-	-
Subtotal - School Breakfast Program				-	363,205	-	-
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY20	-	28,650	-	-
School Breakfast Program		10.553	FY21	-	-	-	85,105
School Breakfast Program				-	-	-	85,105
Sub-Total - COVID-19 - School Breakfast Program				-	28,650	-	85,105
Total - School Breakfast Program				-	391,855	-	85,105
Total - Child Nutrition Cluster				-	2,416,793	-	2,914,975
Total - Department of Agriculture				-	2,416,793	-	2,914,975
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education						
5253 - Special Education		84.027	18611-091-PN01	-	61,833	-	-
5254 - Special Education		84.027	19611-091-PN01	-	527,069	-	86,670
5255 - Special Education		84.027	20611-094-PN01	-	404,771	-	689,640
5221 - Special Education		84.027	21611-094-PN01	-	-	-	503,769
Total - Special Education Grant to States				-	993,673	-	1,280,079
Special Education Preschool Grants	Indiana Department of Education						
5454 - Special Education Preschool		84.173	19619-091-PN01	-	25,959	-	7,884
5455 - Special Education Preschool		84.173	20619-094-PN01	-	352	-	35,144
5421 - Special Education Preschool		84.173	21619-094-PN01	-	-	-	160
Total - Special Education Preschool Grants				-	26,311	-	43,188
Total - Special Education Cluster (IDEA)				-	1,019,984	-	1,323,267
Title I Grants to Local Educational Agencies	Indiana Department of Education						
4140 - Title I		84.010	S010A180014	-	181,623	-	-
4141 - Title I		84.010	S010A190014	-	534,457	-	92,907
4150 - Title I		84.010	S010A200014	-	-	-	517,204
Total - Title I Grants to Local Educational Agencies				-	716,080	-	610,111

SEYMOUR COMMUNITY 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
English Language Acquisition State Grants	Indiana Department of Education						
6884 - Title III		84.365	01118-032-PN01	-	61,577	-	-
6885 - Title III Grant		84.365	01119-035-PN01	-	81,265	-	22,692
6886 - Title III		84.365	01120-031	-	8,391	-	70,069
6887 - Title III		84.365	01121-031	-	-	-	31,044
6910 - Immigrant Influx		84.365	01119-004-FLUX	-	2,760	-	5,657
6912 - Immigrant Influx		84.365	01120-002-FLUX	-	-	-	3,217
6911 - Immigrant Influx		84.365	01120-006-FLUX	-	15,263	-	3,483
Total - English Language Acquisition State Grants				-	169,256	-	136,162
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education						
6845 - Title II Part A		84.367	S367A170013	-	76,463	-	21,942
6844 - Title II Part A		84.367	S367A170013	-	17,328	-	-
6846 - Title II Part A		84.367	S367A190013	-	1,679	-	23,844
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	95,470	-	45,786
Student Support and Academic Enrichment Program	US Department of Education						
5802 - Title IV		84.424	S424A190015	-	2,775	-	42,633
5800 - Title IV		84.424	S424A170015	-	30,026	-	-
5801 - Title IV		84.424	S424A180015	-	28,095	-	4,879
5803 - Title IV		84.424	S424A200015	-	-	-	3,604
Total - Student Support and Academic Enrichment Program				-	60,896	-	51,116
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
7941 - ESSER I		84.425	S425D200013	-	-	-	144,176
Total - Department of Education				-	2,061,686	-	2,310,618
Total federal awards expended				\$ -	\$ 4,478,479	\$ -	\$ 5,225,593

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

SEYMOUR 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 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.

SEYMOUR COMMUNITY 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-001

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, COVID-19 - National School Lunch Program, COVID-19 - Summer Food Service Program for Children, COVID-19 - School Breakfast Program
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY20, FY21
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Condition and Context

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

The School Corporation had not established an oversight, review, or approval process to ensure contracted vendors had been verified and were not suspended or debarred from participating in federal programs.

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 Procurement and Suspension and Debarment compliance requirement.

SEYMOUR COMMUNITY 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 have also allowed noncompliance with the compliance requirement and allowed 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, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2021-002

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, COVID-19 - National School Lunch Program, COVID-19 - Summer Food Service Program for Children, COVID-19 - School Breakfast Program
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY20, FY21
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not established an oversight, review, or approval process to ensure that program income was assessed and correctly recorded.

Transfers from the Prepaid Food fund (clearing fund) to the School Lunch fund were determined at the end of each month by the Treasurer. The Treasurer compared the month-end balance of the clearing fund to the total of the individual meal accounts. The difference was transferred to the School Lunch fund. A variance of \$9,237 was noted between the amount transferred and the monthly sales reports for the four months selected for testing.

SEYMOUR COMMUNITY 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). . . ."

7 CFR 220.7(e) states in part:

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

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

7 CFR 210.14(c) states:

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

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

7 CFR 225.6(e) states in part:

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

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

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, September 2008)

SEYMOUR COMMUNITY 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 Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Program Income 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 an effective internal control system to ensure compliance and comply with the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

FINDING 2021-003

Subject: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

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

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-091-PN01; 19611-091-PN01;
19619-091-PN01; 20611-094-PN01;
20619-094-PN01; 21611-094-PN01;
21619-094-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

Condition and Context

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

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

The School Corporation had not established an oversight, review, or approval process to ensure compliance with procurement requirements.

Procurement - Small Purchases

The School Corporation did not provide supporting documentation of price or rate quotations from an adequate number of sources for two of the three purchases of goods or services costing between \$10,000 and \$150,000, which fell within the small purchases method.

Procurement - Micro-purchases

The School Corporation did not adequately document the rationale for selection of vendors, and determination that prices were reasonable for purchases of goods and services that did not exceed \$10,000, which fell within the micro-purchases method.

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 200.318(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 have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

- (a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include:

SEYMOUR COMMUNITY SCHOOL CORPORATION
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(Continued)

(1) *Micro-purchases* -

(i) *Distribution.* The acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (. . . § 200.1). To the maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers.

(ii) *Micro-purchase awards.* Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity. . . .

(2) *Small purchases* -

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Procurement and Suspension and Debarment 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 establish internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



www.scsc.k12.in.us * (812)-522-3340 * 1638 South Walnut Street, Seymour, Indiana 47274

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019 - 001

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Seymour Community Schools is continually designing and implementing a proper system of internal control to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Seymour Community Schools is continually designing and implementing a proper effective internal control system, which would include segregation of duties in order to ensure compliance with requirements related to the grant agreement and the Procurement Suspension and Debarment compliance requirement.

Seymour Community Schools does obtain price or rate quotations from an adequate number of qualified sources, and full and open competition will be used for purchases that fell within the small purchases requirement.

Going forward, documentation will be maintained to show that consideration was given to the reasonableness of prices of purchases made, and full and open competition was provided for purchases that fell within the micro-purchases requirement.

Seymour

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CORRECTIVE ACTION PLAN

FINDING 2021 - 001

Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer

Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Seymour Community Schools management will establish a system of internal controls, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Estimated Completion Date: June 30, 2022

Seymour

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CORRECTIVE ACTION PLAN

FINDING 2021 - 002

Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer

Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Seymour Community Schools Business Office will establish an effective control system to ensure compliance and comply with the grant agreement and the Program Income compliance requirement for both the School Lunch and Prepaid lunch funds.

Estimated Completion Date: June 30, 2022

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CORRECTIVE ACTION PLAN

FINDING 2021 - 003

Contact Person Responsible for Corrective Action: Steve Nauman, Treasurer

Contact Phone Number: (812) 522-3340

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Seymour Community Schools management will establish a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Estimated Completion Date: June 30, 2022

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/>.