

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WASHINGTON COMMUNITY SCHOOLS, INC.

DAVISS COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED

05/27/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	07-01-19 to 06-30-22
Superintendent of Schools	Dr. Daniel Roach	07-01-19 to 06-30-22
President of the School Board	Steven K. Frette Randy Bouchie	07-01-19 to 12-31-19 01-01-20 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 WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS 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 Washington Community Schools, Inc. (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 11, 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 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 2021-001.

Washington Community Schools, Inc.'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

May 11, 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 WASHINGTON COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2021-003 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 Matching, Level of Effort, and Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on 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 the Special Education Cluster (IDEA) for the period of July 1, 2019 to June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2019 to June 30, 2021.

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 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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

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 11, 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 11, 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.

WASHINGTON COMMUNITY SCHOOLS, INC.
 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	Total Federal Awards Expended 06-30-20	Total Federal Awards Expended 06-30-21
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2019-20	\$ 186,697	\$ -
School Breakfast Program					
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2019-20	14,323	-
School Breakfast Program					
Total - School Breakfast Program				201,020	-
National School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555	FY 2019-20, FY 2020-21	679,368	6,355
National School Lunch Program-Commodities			FY 2019-20, FY 2020-21	91,751	118,171
Subtotal - National School Lunch Program				771,119	124,526
COVID-19 - National School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555	FY 2019-20, FY 2020-21	54,245	1,135
Total - National School Lunch Program				825,364	125,661
Summer Food Service Program for Children					
National School Lunch Program-Summer Feeding	Indiana Department of Education	10.559	FY 2019-20, FY 2020-21	21,755	1,224,531
COVID-19 - Summer Food Service Program for Children					
National School Lunch Program-Summer Feeding	Indiana Department of Education	10.559	FY 2019-20, FY 2020-21	319,260	454,234
Total - Summer Food Service Program for Children				341,015	1,678,765
Total - Child Nutrition Cluster				1,367,399	1,804,426
Child and Adult Care Food Program					
School Dinner Program	Indiana Department of Education	10.558	FY 2019-20, FY 2020-21	23,587	2,099
Total - Child and Adult Care Food Program				23,587	2,099
Total - Department of Agriculture				1,390,986	1,806,525
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
Special Education Part B	Indiana Department of Education	84.027	18611-007-PN01	99,655	-
Special Education Part B			19611-007-PN01	115,765	228,400
Special Education Part B			20611-007-PN01	417,080	336,807
Special Education Part B			21611-007-PN01	-	308,476
Total - Special Education Grants to States				632,500	873,683
Special Education Preschool Grants					
Special Education Preschool Grants	Indiana Department of Education	84.173	19619-007-PN01	-	1,833
Total - Special Education Preschool Grants				-	1,833
Total - Special Education Cluster (IDEA)				632,500	875,516
Title I Grants to Local Educational Agencies					
Title I Part A	Indiana Department of Education	84.010	S010A170014	20,710	-
Title I Part A			S010A180014	608,831	-
Title I Part A			S010A190014	141,428	495,667
Title I Part A			S010A200014	-	333,064
Total - Title I Grants to Local Educational Agencies				770,969	828,731

WASHINGTON COMMUNITY SCHOOLS, INC.
 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	Total Federal Awards Expended 06-30-20	Total Federal Awards Expended 06-30-21
Rural Education	Indiana Department of Education	84.358			
Rural Schools			S358B180014	37,465	-
Rural Schools			S358B190014	50,907	-
Rural Schools			S358B200014	-	2,361
Total - Rural Education				<u>88,372</u>	<u>2,361</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
Title III			S365A170014	14,466	-
Title III			S365A180014	10,329	32,866
Title III			S365A190014	-	33,436
Total - English Language Acquisition State Grants				<u>24,795</u>	<u>66,302</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367			
Title II Part A			S367A170013	3,411	-
Title II Part A			S367A180013	110,542	-
Title II Part A			S367A190013	13,514	105,815
Title II Part A			S367A200013	-	50,071
Total - Supporting Effective Instruction State Grants				<u>127,467</u>	<u>155,886</u>
School Improvement Grants	Indiana Department of Education	84.377			
School Improvement Grant			S377A140015	15,774	-
School Improvement Grant			S377A150015	167,398	4,127
School Improvement Grant			S377A160015	-	134,171
Total - School Improvement Grants				<u>183,172</u>	<u>138,298</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424			
Title IV Part A			S424A170015	23,189	-
Title IV Part A			S424A180015	46,100	-
Title IV Part A			S424A190015	13,045	31,296
Title IV Part A			S424A200015	-	47,398
Total - Student Support and Academic Enrichment Program				<u>82,334</u>	<u>78,694</u>
COVID-19 - Education Stabilization Fund		84.425			
Governor's Emergency Education Relief Fund	Indiana Department of Education	84.425C	S425C200018	-	58,303
Elementary and Secondary School Emergency Relief Fund	Indiana Department of Education	84.425D	S425D200013	-	321,537
Elementary and Secondary School Emergency Relief Fund	Indiana Department of Education	84.425D	S425D210013	-	161,698
Total - COVID-19 - Education Stabilization Fund				<u>-</u>	<u>541,538</u>
Total - Department of Education				<u>1,909,609</u>	<u>2,687,326</u>
Department of Health and Human Services					
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Education	93.778			
Medicaid - MAC			FY 2020-21	-	57,082
Total - Medical Assistance Program				<u>-</u>	<u>57,082</u>
Total - Medicaid Cluster				<u>-</u>	<u>57,082</u>
Total - Department of Health and Human Services				<u>-</u>	<u>57,082</u>
Total federal awards expended				<u>\$ 3,300,595</u>	<u>\$ 4,550,933</u>

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

WASHINGTON COMMUNITY SCHOOLS, INC.
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.

Note 3. Daviess-Martin Special Education Cooperative

The School Corporation is a member of the Daviess-Martin Special Education Cooperative (Cooperative). As a result, the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Qualified
	COVID-19 - Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The SEFA presented for audit included the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$376,722.
2. The Child and Adult Care Food Program expenditures were overstated by \$341,015.
3. The Special Education Cluster (IDEA) expenditures were overstated by \$1,663,744.
4. The Medical Assistance Program was omitted, which understated expenditures by \$57,082.
5. Seven federal grants had individually immaterial errors, which resulted in a net understatement of expenditures by \$51,306.
6. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-002

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019-20, FY 2020-21
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 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 did not comply with accounting requirements for program income generated from the operation of the food service program. The Pre-Paid Student Lunch fund was used to account for student prepaid receipts and meal purchases by students. Purchases of meals were not transferred monthly to the School Lunch fund by meal categories. Of the 20 months tested, 4 of them were transferred timely.

Additionally, for the months of August and September 2019, total calculated program income based on number of meals served was \$49,553, but \$46,010 was transferred from the Pre-Paid Student Lunch fund to the School Lunch fund. Since monthly transfers were not made on a timely basis, all calculated meals served revenues were not properly transferred from the Pre-Paid Student Lunch fund to the School Lunch fund.

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

WASHINGTON COMMUNITY SCHOOLS, INC.
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 200.307(e)(2) states in part: "*Addition.* With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award."

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(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."

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)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and 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 and the Program Income compliance requirement could have resulted in the loss of federal funds to the School Corporation.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 to ensure compliance and to 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) - Earmarking

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): 18611-007-PN01,
19611-007-PN01,
19619-007-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition and Context

The School Corporation is a member of the Daviess-Martin Special Education Cooperative (Cooperative). During fiscal years 2019-2020 and 2020-2021, the Cooperative operated the special education programs and spent the federal money on behalf of all its member schools. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for non-public school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Non-Public Proportionate Share expenditures for the 18611-007-PN01, 19611-007-PN01, and 19619-007-PN01 grant awards could not be verified for the individual member schools. Total grant expenditures were posted as expended. The non-public proportionate share expenditures were then determined by applying the budgeted percentage for non-public school expenditures to the total expenditures. These were the amounts reported to the IDOE. As such, we were unable to identify if the minimum amount per the grant awards was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance was isolated to the 18611-007-PN01, 19611-007-PN01, and 19619-007-PN01 grant awards.

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: . . .

(g) Be adequately documented. . . ."

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

The School Corporation's management had not developed an effective system of internal control that would have ensured compliance with the grant agreements and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system, as well as adequately document costs of federal awards, prevented the determination of the School Corporation's compliance with the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 an effective system of internal control and appropriately document and identify federal award expenditures to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2021-004

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): 18611-007-PN01, 19611-007-PN01,
19619-007-PN01, 20611-007-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 2019-003.

Condition and Context

The School Corporation is a member of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the special education programs and spent the federal money on behalf of all its member schools. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the procurement requirements. The Cooperative's procurement policy was not in compliance with the procurement standards outlined in 2 CFR 200.318 through 2 CFR 200.326. The Cooperative did not have procedures in place to ensure that an adequate number of quotes were obtained and documented for purchases that fell within the small purchase requirement.

One purchase in the amount of \$41,800 in fiscal year 2019-2020 was not supported by an adequate number of quotes from other vendors.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and noncompliance related to the procurement policy were systemic issues throughout the audit period. The lack of internal controls and noncompliance related to small purchases was isolated to the one transaction in 2019-2020.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to procurement standards identified in §§ 200.317 through 200.327. . . ."

(i) 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 200.319(a) states in part: "All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section. . . ."

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 . . ."

(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. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not developed an effective system of internal control that would have ensured compliance with the grant agreements and the procurement requirements of 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 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 internal controls to ensure compliance with the grant agreement and comply with 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.

AUDITEE-PREPARED DOCUMENTS

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



Washington Community Schools

301 East South Street
Washington, IN 47501
(812) 254-5536

washingtoncommunitieschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2017

Status of Audit Finding:

WCS officials have agreed that going forward these totals will be added to the Financial Statement only with notes in an effort to comply with State Board of Accounts requests.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

The issue was not corrected at the time of the audit. A plan is currently in place to ensure compliance.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-003

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

The issue was not corrected at the time of the audit. Is now corrected with information and training received after most recent audit.



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CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number: (812)254-5536

Views of Responsible Official: We concur with the finding. All totals from the Department of Ag match what SBOA is reporting on the audited SEFA for FY 2020. An error was made in the CFDA number that caused the cluster totals to be off by the same amount one to the positive and one to the negative. The IDEA numbers were reported incorrectly from Daviess Martin Special Education Cooperative, hence the error.

Description of Corrective Action Plan: Washington Community Schools will continue to do everything in our power to comply with the ever changing, often elusive rules of the SEFA. We will request CFDA numbers to be provided from the State Agencies for each deposit made to WCS.

Anticipated Completion Date: 05/11/2022



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CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: (812)254-5536

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Washington Community Schools will transfer program income from the Pre-paid account to the School Lunch Fund each month.

Anticipated Completion Date: 05/11/2022



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washingtoncommunitieschools.org

CORRECTIVE ACTION PLAN

FINDING 2021-003

Contact Person Responsible for Corrective Action: Daniel Roach
Contact Phone Number: (812)254-5536

Views of Responsible Official: We concur with the finding. There has been significant turnover within Daviess Martin Special Ed Cooperative. WCS officials believe this has led to the incorrect reporting provided.

Description of Corrective Action Plan: Going forward The Director of the Daviess Martin Special Ed Coop will provide Proportionate Share expenditure data quarterly to the Superintendent of Washington Community Schools. This documentation will be reviewed and signed by WCS Superintendent.

Anticipated Completion Date: 05/11/2022



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CORRECTIVE ACTION PLAN

FINDING 2021-004

Contact Person Responsible for Corrective Action: Daniel Roach

Contact Phone Number: (812)254-5536

Views of Responsible Official: We concur with the finding. There has been significant turnover within Daviess Martin Special Ed Cooperative. WCS officials believe this has led to the incorrect procedure for procurement.

Description of Corrective Action Plan: Training has already been conducted in light of this finding.

Anticipated Completion Date: 05/11/2022

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/>.