

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION

DEARBORN COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
06/06/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pam Taylor Julie Dudley	07-01-19 to 06-30-21 07-01-21 to 06-30-22
Superintendent of Schools	Karl Gale	07-01-19 to 06-30-22
President of the School Board	Kevin Mollaun Bryan Johnson Kevin Mollaun	07-01-19 to 12-31-20 01-01-21 to 12-31-21 01-01-22 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 LAWRENCEBURG COMMUNITY SCHOOL
CORPORATION, DEARBORN 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 Lawrenceburg 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 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. 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 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 LAWRENCEBURG COMMUNITY SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lawrenceburg 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. 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 2021-006 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 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 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to this matter.

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 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006, 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.

LAWRENCEBURG 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							
School Breakfast Program	Indiana Department of Education						
School Breakfast FY20		10.553	20-1620	\$ -	\$ 97,384	\$ -	\$ -
School Breakfast FY21		10.553	21-1620	-	-	-	154,656
COVID-19 - School Breakfast Program	Indiana Department of Education						
School Breakfast FY20		10.553	20-1620	-	8,254	-	-
School Breakfast FY21		10.553	21-1620	-	-	-	26,220
Total - School Breakfast Program				-	105,638	-	180,876
National School Lunch Program	Indiana Department of Education						
School Lunch FY20		10.555	20-1620	-	266,224	-	-
School Lunch FY21		10.555	21-1620	-	-	-	463,245
Commodities				-	74,743	-	86,474
COVID-19 - National School Lunch Program	Indiana Department of Education						
School Lunch FY20		10.555	20-1620	-	21,777	-	-
School Lunch FY21		10.555	21-1620	-	-	-	76,312
Total - National School Lunch Program				-	362,744	-	626,031
Summer Food Service Program for Children	Indiana Department of Education						
Summer Food Service Program FY19		10.559	19-1620	-	7,892	-	-
Summer Food Service Program FY20		10.559	20-1620	-	123,494	-	-
Summer Food Service Program FY21		10.559	21-1620	-	-	-	15,757
Total - Summer Food Service Program for Children				-	131,386	-	15,757
Total - Child Nutrition Cluster				-	599,768	-	822,664
Total - Department of Agriculture				-	599,768	-	822,664
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education						
Special Education Part B 611 FY2019		84.027	19611-050-PN01	-	261,020	-	-
Special Education Part B 611 FY2020		84.027	20611-048-PN01	-	438,901	-	3,450
Special Education Part B 611 FY2021		84.027	21611-048-PN01	-	-	-	458,781
Total - Special Education Grants to States				-	699,921	-	462,231
Special Education - Preschool Grants	Indiana Department of Education						
Preschool 619 FY2019		84.173	19619-050-PN01	-	11,711	-	-
Preschool 619 FY2020		84.173	20619-048-PN01	-	19,335	-	-
Preschool 619 FY2021		84.173	21619-048-PN01	-	-	-	423
Total - Special Education - Preschool Grants				-	31,046	-	423
Total - Special Education Cluster (IDEA)				-	730,967	-	462,654

LAWRENCEBURG 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
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I FY17		84.010	S010A170014	-	2,354	-	-
Title I FY18		84.010	S010A180015	-	29,222	-	16,367
Title I FY19		84.010	S010A190014	-	231,680	-	32,743
Title I FY20		84.010	S010A200014	-	-	-	184,327
Total - Title I Grants to Local Education Agencies				-	263,256	-	233,437
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education						
Title IIA FY17		84.367	S367A170013	-	13,095	-	-
Title IIA FY 18		84.367	S367A180013	-	30,480	-	17,533
Teacher Leaders Bootcamp		84.367	#45569	-	-	-	2,998
Title IIA FY 19		84.367	S367A190013	-	5,177	-	22,442
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	48,752	-	42,973
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV Part A FY18		84.424	S424A180015	-	12,751	-	293
Title IV Part A FY19		84.424	S424A190015	-	13,687	-	7,997
Title IV Part A FY20		84.424	S424A200015	-	-	-	4,156
Total - Student Support and Academic Enrichment Program				-	26,438	-	12,446
Education Stabilization Fund	Indiana Department Education						
CARES Grant		84.425	S425D200013	-	-	-	99,998
ESSER II (CRRSA)		84.425	S425D210013	-	-	-	267,510
Total - Education Stabilization Fund				-	-	-	367,508
Total - Department of Education				-	1,069,413	-	1,119,018
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program							
Federal Medicaid Assistance - IEP	Family and Social Services Administration	93.778	FY2020	-	25,604	-	-
Federal Medicaid Assistance - IEP	Family and Social Services Administration	93.778	FY2021	-	-	-	26,907
IndianaMAC	Indiana Department Education	93.778	FY2020	-	4,988	-	-
IndianaMAC	Indiana Department Education	93.778	FY2021	-	-	-	8,827
Total - Medical Assistance Program				-	30,592	-	35,735
Total - Medicaid Cluster				-	30,592	-	35,735
Total - Department of Health and Human Services				-	30,592	-	35,735
Total federal awards expended				\$ -	\$ 1,699,773	\$ -	\$ 1,977,417

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

LAWRENCEBURG 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.

Note 3. Ripley-Ohio-Dearborn Special Education Cooperative

The School Corporation is a member of the Ripley-Ohio-Dearborn Special Education Cooperative (Cooperative). As a result, some of 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 reported in the financial statement of the Cooperative.

LAWRENCEBURG 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 Special Education Cluster (IDEA)	Unmodified Qualified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-001

Subject: Child Nutrition Cluster - Paid Lunch Equity
 Federal Agency: Department of Agriculture
 Federal Programs: National School Lunch Program, COVID-19 - National School Lunch Program
 Assistance Listings Number: 10.555
 Federal Award Numbers and Years (or Other Identifying Numbers): 20-1620, 21-1620
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
 Audit Finding: Material Weakness

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

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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

One employee was responsible for completing the paid lunch equity calculation and implementing the results of the calculation, without a documented oversight, review, or approval process to ensure its accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

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

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, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 19-1620, 20-1620, 21-1620
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
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 Program Income compliance requirement.

There were no internal controls in place to ensure that program income was charged at the proper rate. One employee was responsible for the system input of meal prices without a documented oversight, review, or approval process.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to 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: Child Nutrition Cluster - Eligibility
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): 20-1620, 21-1620
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
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 Eligibility compliance requirement.

The free and reduced price applications were completed online by the applicants, and the information was automatically uploaded into the School Corporation's nutrition program software system. The software system then calculated the student's eligibility for free and reduced price meals based on the parameters in the system. There was no documented oversight, review, or approval process to ensure the parameters in the system were correct and that the eligibility determination made was in compliance with the requirements of the programs.

The lack of internal controls was a systematic 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). . . ."

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

Cause

The School Corporation had not developed a system of internal that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2021-004

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program,
National School Lunch Program, COVID-19 - National School
Lunch Program, Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 19-1620, 20-1620

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a member of the Wilson Education Center (Service Center). During fiscal year 2019-2020, the Service Center solicited, evaluated, and awarded bids for bread, milk, and other products on behalf of its members.

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

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

Bids for bread and milk were originally awarded for 2016-2017. Each contract included a clause that stated the contract could be extended for 3 additional 12-month periods by mutual written agreement. The Service Center could not provide written contracts of the mutually agreed-upon extensions for the bread and dairy bids for 2019-2020. For 2019-2020, the Service Center had emails with the contractor that noted the agreement to extend the contract.

The lack of internal controls and noncompliance were systemic issues during 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(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.318(i) states:

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

2 CFR 200.320 states in part:

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

- (c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . .
- (d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. . . .
- (f) Procurement by noncompetitive proposals. . . ."

Cause

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

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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's management 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.

FINDING 2021-005

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program,
National School Lunch Program, COVID-19 - National School
Lunch Program, Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 20-1620, 21-1620

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not obtain price or rate quotes for some purchases of milk, bread, or food exceeding \$10,000 from an adequate number of sources, which fell under the small purchase procedures. Small purchase procurements for two of the four vendors tested did not comply.

The lack of internal controls and noncompliance were systemic issues during the 2020-2021 school year.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 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 the 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 200.320 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: . . .

(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. . . ."

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

Cause

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

Effect

The failure to design and implement an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2021-006

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
Assistance Listings Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 20611-048-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Ripley-Ohio-Dearborn Special Education Cooperative (Cooperative). During fiscal year 2020-2021, the Cooperative operated the special education programs and spent the federal money for earmarked expenditures on behalf of all its members. 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 in order 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.

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

The Non-Public Proportionate Share expenditures for the 20611-048-PN01 grant award could not be verified for the individual member schools. The non-public school share funds for the participating member schools were allocated based on the yearly budget for certified staff instead of time charged to the non-public schools. These allocations were the amounts reported to the IDOE. As such, we were unable to identify which expenditures were for each school in order to verify the minimum amount per the grant award was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance were isolated to the 20611-048-PN01 grant award.

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 agreement 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.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal control, as well as 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.

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2015

Status of Audit Finding:

The corrective action for this finding was implemented for the entirety of the FY20/FY21 audit period. Monthly entries to post-program income are reviewed and approved by someone other than the employee who calculates and writes the entries. The Food Service Director provides the Treasurer with the documentation of the monthly sales. The Treasurer then uses this information to post monthly sales to the 0800 via a receipt. A voucher is then created for the total monthly sales to move this amount from the 8000 funds.

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2017

Status of Audit Finding: The corrective action for this finding was implemented for the entirety of the FY20/FY21 audit period. Beginning with the 2018-19 school year, documentation of price/rate quotations for purchases over the \$10,000 threshold (on federal purchases) and \$50,000 (non-federal purchases) are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation of quotes on purchases between \$50,000 - \$150,000 are obtained from qualified vendors and maintained by the ROD Cooperative. Documentation on bids on purchases over \$150,000 are maintained by the ROD Cooperative. The Director of Special Education initials all of these documents.

Beginning with the 2018-19 school year contracted services are obtained by ROD in the event a qualified person is not available to fill the position. The position is initially posted by the ROD Cooperative, if no qualified candidates apply, then the Director of Special Education reaches out to companies who contract for the needed service and negotiates the contract. The Director of Special Education initials paperwork showing there were no qualified applicants. The contract is then signed by the Director of Special Education and approved by the ROD Special Education Board of Directors.



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FINDING 2021-001

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning with the 2022-23 school year, the Business Manager will use the Paid Lunch Equity tool supplied by School Nutrition. Once the calculation has been completed, it will be reviewed and approved by the Food Service Director or Superintendent.

Anticipated Completion Date: July 2022

FINDING 2021-002

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning with the 2022-23 school year, the Food Service Director will enter the meal prices into the school nutrition software. Once entered the Food Service Director will provide a copy of the prices entered into the system to be reviewed and approved by the Business Manager or Superintendent.

Anticipated Completion Date: July 2022

FINDING 2021-003

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning with the 2022-23 school year, the Food Service Director will enter the state guidelines for eligibility of free and reduced meals. Once entered the Food Service Director will provide a copy of the eligibility requirements that were entered into to the school nutrition software to be reviewed and approved by the Business Manager or Superintendent.

Anticipated Completion Date: July 2022



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FINDING 2021-004

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning with the 2022-23 school year, the Food Service Director will complete a more detailed documented review of bid and contract documentation provided by the cooperative in the future.

Anticipated Completion Date: May 2022

FINDING 2021-005

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will procure additional quotes on Food Service items as needed that could possibly be purchased through the Wilson Center. On April 27, 2022, Wilson Education Center/IAESC Procurement was notified from SBOA that it did not receive an SFA-only Cooperative classification from IDOE. This means Wilson Education Center will not have Procurement, Suspension and Debarment audited for 2020-2021. Once this notification was received, immediate corrective action was taken to resolve the issue. WEC is working closely with IDOE to obtain SFA Cooperative classification.

Anticipated Completion Date: July 2022



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FINDING 2021-006

Contact Person Responsible for Corrective Action: Julie Dudley
Contact Phone Number: 812.537.7205

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Treasurer and Director of Special Education will work together to implement an adequate internal control policy for the Matching, Level of Effort, Earmarking compliance requirement. A new form will be created to track and bill appropriately for the non-public school portion to meet compliance with the requirements related to the grant agreement.

Anticipated Completion Date: July 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/>.