

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION

PERRY COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED

06/16/2022

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--------------------------------|--|
| Treasurer | Debra A. Elder | 07-01-19 to 06-30-22 |
| Superintendent of Schools | John A. Scioldo | 07-01-19 to 06-30-22 |
| President of the School Board | Gregg Jarboe Tony W. Thomas | 07-01-19 to 12-31-20 01-01-21 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 TELL CITY-TROY TOWNSHIP
SCHOOL CORPORATION, PERRY 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 Tell City-Troy Township 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 23, 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 23, 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 TELL CITY-TROY TOWNSHIP
SCHOOL CORPORATION, PERRY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Tell City-Troy Township School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2019 to June 30, 2021. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these 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.

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 and 2021-002, that we consider to be material weaknesses.

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated May 23, 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 23, 2022

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Assistance Listings Number | Pass-Through Entity (or Other) Identifying Number | Passed Through to Subrecipient 06-30-20 | Total Federal Awards Expended 06-30-20 | Passed Through to Subrecipient 06-30-21 | Total Federal Awards Expended 06-30-21 |
|---|-------------------------------------|----------------------------|---|---|--|---|--|
| <u>Department of Agriculture</u> | | | | | | | |
| <u>Child Nutrition Cluster</u> | | | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | FY 2019/2020 | \$ - | \$ 66,994 | \$ - | \$ - |
| School Breakfast Program | | | | | | | |
| COVID-19 - School Breakfast Program | Indiana Department of Education | 10.553 | FY 2019/2020 | - | 4,930 | - | - |
| School Breakfast Program | | | FY 2020/2021 | - | - | - | 7,736 |
| School Breakfast Program | | | | | | | |
| Total - School Breakfast Program | | | | - | 71,924 | - | 7,736 |
| <u>National School Lunch Program</u> | | | | | | | |
| School Lunch Program | Indiana Department of Education | 10.555 | FY 2019/2020 | - | 280,336 | - | - |
| School Lunch Program | | | FY 2020/2021 | - | - | - | 17,901 |
| Commodities | | | FY 2019/2020, FY 2020/2021 | - | 57,692 | - | 77,441 |
| Subtotal - National School Lunch Program | | | | - | 338,028 | - | 95,342 |
| <u>COVID-19 - National School Lunch Program</u> | | | | | | | |
| School Lunch Program | Indiana Department of Education | 10.555 | FY 2019/2020 | - | 20,140 | - | - |
| School Lunch Program | | | FY 2020/2021 | - | - | - | 48,519 |
| Total - National School Lunch Program | | | | - | 358,168 | - | 143,861 |
| <u>Summer Food Service Program for Children</u> | | | | | | | |
| Summer Lunch Program | Indiana Department of Education | 10.559 | FY 2019/2020 | - | 11,638 | - | - |
| Summer Lunch Program | | | FY 2020/2021 | - | - | - | 494,895 |
| COVID-19 - Summer Food Service Program for Children | Indiana Department of Education | 10.559 | FY 2019/2020 | - | 31,352 | - | - |
| Summer Lunch Program | | | FY 2020/2021 | - | - | - | 76,003 |
| Summer Lunch Program | | | | | | | |
| Total - Summer Food Service Program for Children | | | | - | 42,990 | - | 570,898 |
| Total - Child Nutrition Cluster | | | | - | 473,082 | - | 722,495 |
| Total - Department of Agriculture | | | | - | 473,082 | - | 722,495 |
| <u>Department of Education</u> | | | | | | | |
| <u>Special Education Cluster (IDEA)</u> | | | | | | | |
| Special Education Grants to States | Indiana Department of Education | 84.027 | 18611-009-PN01 | - | 418 | - | - |
| FY 2018 Part B IDEA | | | 19611-009-PN01 | - | 187,526 | - | - |
| FY 2019 Part B IDEA | | | | | | | |

TELL CITY-TROY TOWNSHIP 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 |
|---|-------------------------------------|----------------------------------|--|---|---|---|---|
| FY 2020 Part B IDEA | | | 20611-009-PN01 | - | 151,993 | - | 164,431 |
| FY 2021 Part B IDEA | | | 21611-009-PN01 | - | - | - | 144,862 |
| Total - Special Education Grants to States | | | | - | 339,937 | - | 309,293 |
| Special Education Preschool Grants | Indiana Department of Education | 84.173 | | | | | |
| FY 2019 Part B 619 Preschool | | | 19619-009-PN01 | - | 7,098 | - | - |
| FY 2020 Part B 619 Preschool | | | 20619-009-PN01 | - | 10,197 | - | 6,440 |
| FY 2021 Part B 619 Preschool | | | 21619-009-PN01 | - | - | - | 13,965 |
| Total - Special Education Preschool Grants | | | | - | 17,295 | - | 20,405 |
| Total - Special Education Cluster (IDEA) | | | | - | 357,232 | - | 329,698 |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | 84.010 | | | | | |
| Title I 2018-2019 | | | S010A180014 | - | 117,741 | - | - |
| Title I 2019-2020 | | | S010A190014 | - | 187,118 | - | 136,951 |
| Title I 2020-2021 | | | S010A200014 | - | - | - | 172,412 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 304,859 | - | 309,363 |
| Education for Homeless Children and Youth | Indiana Department of Education | 84.196 | | | | | |
| McKinney-Vento 2019-2020 | | | S196A190015 | - | 25,000 | - | - |
| McKinney-Vento 2020-2021 | | | S196A200015 | - | - | - | 25,000 |
| Total - Education for Homeless Children and Youth | | | | - | 25,000 | - | 25,000 |
| Twenty-First Century Community Learning Centers | Indiana Department of Education | 84.287 | | | | | |
| 21st Century Community Learning Centers Program 2018/19 Cohort 9 Year 1 | | | S287C170014 | - | 35,997 | - | - |
| 21st Century Community Learning Centers Program 2019/20 Cohort 9 Year 2 | | | S287C180014 | - | 269,039 | - | 30,742 |
| 21st Century Community Learning Centers Program 2020/21 Cohort 9 Year 3 | | | S287C190014 | - | - | - | 264,574 |
| Total - Twenty-First Century Community Learning Centers | | | | - | 305,036 | - | 295,316 |
| Rural Education | Indiana Department of Education | 84.358 | | | | | |
| FY 17 Rural and Low Income Title VI Subpart B | | | S358B170014 | - | 13,519 | - | - |
| Supporting Effective Instruction State Grants | Indiana Department of Education | 84.367 | | | | | |
| Title II Part A 2017-2019 | | | S367A170013 | - | 8,867 | - | - |
| Title II Part A 2018-2020 | | | S367A180013 | - | 43,338 | - | 5,706 |

TELL CITY-TROY TOWNSHIP 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 II Part A 2019-2021 | | | S367A190013 | - | - | - | 41,192 |
| Title II Part A 2020-2022 | | | S367A200013 | - | - | - | 2,943 |
| Total - Supporting Effective Instruction State Grants | | | | - | 52,205 | - | 49,841 |
| Student Support and Academic Enrichment Program | Indiana Department of Education | 84.424 | | | | | |
| FY18 Title IV Part A | | | S424A180015 | - | 14,386 | - | - |
| FY19 Title IV Part A | | | S424A190015 | - | 8,196 | - | 12,726 |
| FY20 Title IV Part A | | | S424A200015 | - | - | - | 2,771 |
| Total - Student Support and Academic Enrichment Program | | | | - | 22,582 | - | 15,497 |
| COVID-19 - Education Stabilization Fund | | 84.425 | | | | | |
| Governor's Emergency Education Relief Fund | Indiana Department of Education | 84.425C | S425C200018 | - | - | - | 143,725 |
| Elementary and Secondary School Emergency Relief Fund | Indiana Department of Education | 84.425D | S425D200013 | - | - | - | 236,725 |
| Total - COVID-19 - Education Stabilization Fund | | | | - | - | - | 380,450 |
| Total - Department of Education | | | | - | 1,080,433 | - | 1,405,165 |
| Department of Health and Human Services | | | | | | | |
| Medicaid Cluster | | | | | | | |
| Medical Assistance Program | Indiana Department of Education | 93.778 | | | | | |
| Medicaid - MAC | | | FY 2019/20 | - | 19,729 | - | - |
| Medicaid - MAC | | | FY 2020/21 | - | - | - | 35,676 |
| Medical Assistance Program | Indiana Family Social Services Administration | 93.778 | | | | | |
| Medicaid - IEP | | | FY 2019/20 | - | 24,115 | - | - |
| Medicaid - IEP | | | FY 2020/21 | - | - | - | 30,581 |
| Total - Medical Assistance Program | | | | - | 43,844 | - | 66,257 |
| Total - Medicaid Cluster | | | | - | 43,844 | - | 66,257 |
| Total - Department of Health and Human Services | | | | - | 43,844 | - | 66,257 |
| Total federal awards expended | | | | \$ - | \$ 1,597,359 | \$ - | \$ 2,193,917 |

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

TELL CITY-TROY TOWNSHIP 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. Exceptional Children's Cooperative

The School Corporation is a member of the Exceptional Children's 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.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

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

| | |
|--|----|
| Auditee qualified as low-risk auditee? | no |
|--|----|

Section II - Financial Statement Findings

No matters are reportable.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-001

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019/2020, FY2020/2021
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 2019-001.

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 did not properly procure purchases of food which exceeded the simplified acquisition threshold of \$150,000. For the one vendor that exceeded the simplified acquisition threshold, the School Corporation did not award a contract. In addition, for one of two small purchase vendors tested, the School Corporation did not obtain price or rate quotes from an adequate number of sources.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CFR 200.318 states in part:

"(a) 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. . . .

- (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 use one of the following methods of procurement. . . .

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . .

(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 . . ."

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.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance 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 2021-002

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort
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): 20611-009-PN01
Compliance Requirement: Matching, Level of Effort, Earmarking
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 grant agreement and the level of effort - maintenance of effort (MOE) requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The compliance standard calculation for fiscal year 2018-2019 was submitted on the *FY 2020 Part B 611 Application, Part 2*. Amounts entered for the calculation should be based on actual expenditures derived from the prepared financial statement. However, the amounts reported were based on contracted amounts for 2018-2019 which were used to project the salary and benefit expenses reported in the calculation.

The lack of effective internal controls and noncompliance were isolated to the 20611-009-PN01 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). . . ."

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 300.203(b) states:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

Cause

Management had not developed a system of internal control that would have ensured compliance with the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal control to ensure compliance and comply with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Response to Management's Views

Although we agree that the School Corporation has provided sufficient supporting documentation for the method in which it calculated Maintenance of Effort for the FY2020 grant, we still contend that actual expenditures derived from the School Corporation's financial records must be used when calculating Maintenance of Effort and that any other method would cause some variance.

AUDITEE-PREPARED DOCUMENTS

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

Tell City-Troy Township School Corporation

John Anthony Scioldo II
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"Home of the Marksmen"

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: FY2015/16, FY2016/17

Status of Audit Finding: Ongoing

The audit finding was basically a two-pronged finding.

The first part involved the School Corporation purchasing food and supply items from one vendor with total purchases exceeding the simplified acquisition threshold of \$150,000 during fiscal years 2017-18 and 2018-19. An attempt was made to correct this as of August 1, 2019 at which time the School Corporation entered into a Child Nutrition Program Procurement Plan with IAESC Procurement (Indiana Approved Educational Shopping Cooperative) sponsored by Wilson Education Center; however, we recently discovered that Wilson Education Center is not a classified SFA Cooperative.

The second part involved the School Corporation formerly not verifying the possibility of vendor suspension and debarment for all School Nutrition Program supplies. This finding was fully corrected as of the summer of 2019 when the current ECA Manager transitioned into this position. Beginning in summer of 2020, procurement for all Child Nutrition Cluster supplies was handled through IAESC, suspension and debarment vendor documentation was verified with the IAESC contract.

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CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: John A. Scioldo, Debra Elder, and Kathy VanHoosier
Contact Phone Number: 812-547-3300

Views of Responsible Official: We understand that this is a repeat finding from the prior audit report. In good faith, we had entered into a procurement arrangement with IAESC/Wilson Education Center on August 1, 2019 and July 16, 2020. To our knowledge, we were following the procurement requirements for the purchases of food by utilizing this education center. We were unaware until it was brought to our attention this month (May 2022) by the State Board of Accounts field examiners that Wilson had not followed the proper procedures to be considered a certified procurement center by the Indiana Department of Education.

Description of Corrective Action Plan: To correct this error the corporation will solicit a co-op that is compliant with the established procurement guidelines. The corporation has contacted Cynthia Harris at the Indiana Department of Education and will select a co-op from the Indiana Department of Education's approved cooperative list.

Anticipated Completion Date: Summer 2022

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CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: John A. Scioldo and Debra Elder
Contact Phone Number: 812-547-3300

Views of Responsible Official: We do not agree with this finding.

Our records reflect very detailed backup documentation and spreadsheets that substantiate exactly what numbers were used in the originally filed Special Ed Part B Maintenance of Effort (MOE) report compiled in 2020. The report met Maintenance of Effort requirements by the Department of Education at that time.

Upon review by the State Board of Accounts during this audit cycle, both contract salaries and discrepancies with Form 9 reported figures were questioned.

As a result, we updated the spreadsheet used for reporting the MOE expenses to reflect *actual* salaries versus the originally reported *contract* salaries. Benefits were also recalculated in accordance with the actual salary expenses. Detailed reports and backup documentation were presented with the updated spreadsheet. It was our understanding that the slight difference between the estimated versus actual figures were acceptable from an auditing standpoint.

In regard to discrepancies from Form 9 reporting when compared to the MOE, some reported salaries and other expenses were paid from non-Special Education account categories, for example 11100 and 11300. Only the portion of those expenses that were directly attributable to Special Education were reported on the MOE. Reporting 100% of expenses as shown on the Form 9 from these accounts would have been incorrect since the majority of expenses in these accounts are *not* related to Special Education. Again, the detailed documentation in our records shows our logic and explanation behind what was reported on the MOE.

And finally, it is our understanding that this Maintenance of Effort process will no longer be required at the local level. We have contacted the Department of Education and are awaiting confirmation of this at this time.

Description of Corrective Action Plan: *If* this report is required in the future by DOE, actual salaries will be used instead of contract salaries. Special attention will be given to ensure that all special ed teachers are paid from special education account codes as well as benefits paid from special ed accounts.

Anticipated Completion Date: When and if another MOE is required to be filed

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/>.