

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SALEM COMMUNITY SCHOOLS

WASHINGTON COUNTY, INDIANA

July 1, 2019 to June 30, 2021



**FILED**  
06/22/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rachel Weedin Chrissie Albertson	07-01-19 to 03-03-21 03-04-21 to 06-30-22
Superintendent of Schools	Kim A. Thurston, EdD (interim) Jon Acton Kim A. Thurston, EdD (interim)	07-01-19 to 02-29-20 03-01-20 to 02-14-22 02-15-22 to 06-30-22
President of the School Board	Rebecca L. White Rodney Brough	07-01-19 to 12-31-19 01-01-20 to 06-30-22



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

TO: THE OFFICIALS OF THE SALEM COMMUNITY SCHOOLS, WASHINGTON 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 Salem Community Schools (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 17, 2022, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

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

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

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002.

***Salem Community Schools' Response to Findings***

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

***Purpose of This Report***

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



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 17, 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 SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

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

We have audited the Salem Community Schools' (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)

**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 2021-003 and 2021-004, that we consider to be material weaknesses.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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 17, 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 17, 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.

SALEM COMMUNITY SCHOOLS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY2020	\$ -	\$ 69,809	\$ -	\$ -
School Breakfast			FY2021	-	-	-	10,593
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY2020	-	35,664	-	-
Total - School Breakfast Program				-	105,473	-	10,593
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY2020	-	320,952	-	-
Commodities			FY2021	-	-	-	22,901
Commodities			FY2020	-	97,722	-	-
Commodities			FY2021	-	-	-	92,637
Subtotal - National School Lunch Program				-	418,674	-	115,538
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY2020	-	72,450	-	-
Total - National School Lunch Program				-	491,124	-	115,538
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food			FY2021	-	-	-	615,553
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food			FY2021	-	-	-	111,875
Total - Summer Food Service Program for Children				-	-	-	727,428
Total - Child Nutrition Cluster				-	596,597	-	853,559
Total - Department of Agriculture				-	596,597	-	853,559
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY18 Federal Special Education Part B			18611-054-PN01	-	438	-	-
FY19 Special Education Part B			19611-054-PN01	-	268,807	-	26,890
FY20 Special Education Part B			20611-52-PN01	-	142,082	-	218,773
FY21 Special Education Part B			21611-52-PN01	-	-	-	185,996
Total - Special Education Grants to States				-	411,327	-	431,659
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY18 Special Education Preschool			18619-054-PN01	-	26	-	-
FY19 Special Education Preschool			19619-054-PN01	-	5,382	-	-
FY20 Special Education Preschool			20619-052-PN01	-	-	-	7,117
FY20 Special Education Preschool			20619-054-PN01	-	8,148	-	-
FY21 Special Education Preschool			21619-52-PN01	-	-	-	9,646
Total - Special Education Preschool Grants				-	13,556	-	16,763
Total - Special Education Cluster (IDEA)				-	424,883	-	448,422

SALEM COMMUNITY SCHOOLS  
 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 Title I SY 2018-2019 Title I SY 19-20 Title I SY 2020-2021	Indiana Department of Education	84.010	S010A180014 S010A190014 S010A200014	- - -	37,419 295,716 -	- - -	- 68,705 284,422
Total - Title I Grants to Local Educational Agencies				-	333,135	-	353,127
Education for Homeless Children and Youth McKinney Vento McKinney Vento	Indiana Department of Education	84.196	S196A190015 S196A20015	- -	10,476 -	- -	- 4,604
Total - Education for Homeless Children and Youth				-	10,476	-	4,604
Rural Education Rural and Low Income 2018-20	Indiana Department of Education	84.358	S358B180014	-	5,878	-	7,830
Supporting Effective Instruction State Grants Title II-A FFY 2018 Title II A FFY 2019 Title II-A FFY 2020	Indiana Department of Education	84.367	S367A170013 S367A190013 S367A200013	- - -	3,535 59,916 -	- - -	- 8,958 64,328
Total - Supporting Effective Instruction State Grants				-	63,451	-	73,286
Student Support and Academic Enrichment Program Title IV Part A FY 18-20 Title IV Part A FY 19 Title IV Part A FY 20-21	Indiana Department of Education	84.424	S424A180015 S424A190015 S424A200015	- - -	6,961 1,614 -	- - -	9,857 21,497 10,738
Total - Student Support and Academic Enrichment Program				-	8,575	-	42,092
COVID-19 - Education Stabilization Fund Governor's Emergency Education Relief Fund CARES Act Esser II	Indiana Department of Education	84.425 84.425C 84.425D 84.425D	S425C200018 S425D200013 S425D210013	- - -	- - -	- - -	65,035 321,237 73,408
Total - COVID-19 - Education Stabilization Fund				-	-	-	459,680
Total - Department of Education				-	846,398	-	1,389,041
<u>Department of Homeland Security</u> BRIC: Building Resilient Infrastructure and Communities Salem High School Safe Room Project Salem Middle School Safe Room Projects	Indiana Department of Homeland Security	97.047 97.047	49225 49243	- -	- -	- -	92,280 62,514
Total - BRIC: Building Resilient Infrastructure and Communities				-	-	-	154,794
Total - Department of Homeland Security				-	-	-	154,794
Total federal awards expended				\$ -	\$ 1,442,995	\$ -	\$ 2,397,394

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

SALEM COMMUNITY SCHOOLS  
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. South Central Area Special Education Cooperative**

The School Corporation is a member of the South Central Area 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 presented in the financial statement of the Cooperative's fiscal agent.

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

<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**

**FINDING 2021-001**

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

*Repeat Finding*

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

*Condition and Context*

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

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program expenditures were overstated by \$11,395 and \$738,296 for fiscal year 2019-2020 and 2020-2021, respectively.
2. The Summer Food Service Program for Children was omitted for 2020-2021, which understated expenditures by \$727,428.
3. The Governor's Emergency Education Relief Fund, a part of the COVID-19 - Education Stabilization Fund, was omitted for 2020-2021, which understated expenditures by \$65,035.
4. Other various adjustments were made which resulted in an overstatement of expenditures by \$10,047 and \$2,891 for 2019-2020 and 2020-2021, respectively.

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

*Criteria*

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

**FINDING 2021-002**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and financial close and reporting.

*Financial Transactions - Vendor Disbursements*

Internal controls over vendor disbursements were not properly implemented. Vendor disbursements were reviewed and approved by the Treasurer and Assistant Superintendent of Schools prior to payment. However, it was not possible to verify that the review and approval occurred due to the approval signatures of the Treasurer and Assistant Superintendent of Schools being preprinted on the Accounts Payable Voucher forms. Additionally, there was no documentation presented for audit that showed how the School Corporation determined all vouchers and disbursements were included on the Accounts Payable Voucher Register for approval by the fiscal officer and the School Board.

*Financial Close and Reporting*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. Due to the lack of internal controls, the School Corporation's financial statement contained the following errors:

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. The July 1, 2019 cash and investments balance of the Curricular Materials fund was understated by \$40,139.
2. The SNP Clearing fund receipts and disbursements were understated by \$1,165,483 and \$1,165,480, respectively, for fiscal year 2020-2021.
3. Numerous other funds had immaterial errors in the amounts reported for the beginning cash and investments balances, receipts, disbursements, and other financing sources and uses.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

*Criteria*

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

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

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

*Cause*

Management had not established a proper system of internal over vendor disbursements and financial close and reporting.

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish a system of internal control enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

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

**FINDING 2021-003**

Subject: Child Nutrition Cluster - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program  
Assistance Listings Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit in relation to Program Income. The prior audit finding number was 2019-003.

*Condition and Context*

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

The Food Service Director recorded program income without an oversight or review to verify that the amounts recorded were correct and complete.

The lack of internal controls was isolated to fiscal year 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). . . ."

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a system of internal control, that segregated key functions, 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control 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 2021-004**

Subject: Special Education Cluster - Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Federal Agency: Department of Education

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

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-054-PN01, 19611-054-PN01,  
20611-52-PN01, 21611-52-PN01,  
18619-054-PN01, 19619-054-PN01,  
20619-052-PN01, 20619-054-PN01,  
21619-52-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation was a participating member of the South Central Area Special Education Cooperative (Cooperative). The School Corporation was reimbursed by the Cooperative, based on invoices prepared and submitted by the School Treasurer for salaries and benefit costs incurred for designated staff who provided special education services at the local schools. With the exception of the last 2 months of the audit period, there was no evidence of administrative oversight of the invoice preparation and submission process by a knowledgeable individual, to ensure that the amounts invoiced were for activities allowed and that the costs were allowable.

SALEM COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of internal controls was isolated to the first 22 months of the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not established a system of internal control, that segregated key functions, that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



# SALEM COMMUNITY SCHOOLS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: 2017

Status of Audit Finding:

Financial Statements and Annual Reports are reviewed and approved by the Assistant Superintendent.

Claims are submitted and approved by the Board monthly. Vouchers are created by the Superintendent Secretary and posted by the Corporation Treasurer. Payroll clearing accounts are reviewed by the Corporation Treasurer each month to verify receipts are recorded to the proper clearing fund and proper withholding payments made with any fund balances reviewed to verify they properly reflect any outstanding payments owed.

The Accounts Payable Voucher Register submitted to the board for approval now lists all checks and includes a summary total of the type of payments within the detail check listing. We are still working on a process for verifying all checks from the ledger appeared on the Accounts Payable Voucher Register.

The Assistant Superintendent reviews and approves the reconciliation of the prepaid meal fund to the student account balance report, school lunch fund disbursements, and school lunch bank reconcilements/financial statements by reviewing all appropriate generated or ledger reports and signing all appropriate documentation.

Reconciliation of the prepaid meal fund to the student account balance report is still being completed by the Food Service Director on an annual basis. The Food Service Director is currently working on developing procedures for monthly reconciliation of activity.

Online deposits are now being identified as what is still outstanding at the end of the month, but procedures are still being worked on as to when credit card payments get properly posted.

The school corporation is still implementing new procedures to ensure that all financial activity is being reported appropriately since moving to uploading information directly to Gateway.

Each month end Komputrol reports are compared to ensure different types of reports are in agreement with each other. Month and Year to date expenditures between appropriation and fund reports, bank statement to fund report, PO report to outstanding encumbrance on appropriation report are all compared. The budget

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history, revenue history, fund history monthly and year to date amounts are also compared to appropriation, revenue and fund reports.

A process is still being developed for internal controls in relation to the pre-printed signatures on the Accounts Payable Voucher.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: 2015

Status of Audit Finding:

The SEFA is reviewed and approved by the Assistant Superintendent and the Director of Student Services.

The Food Service director completes reports related to the school lunch program. These reports are reviewed and approved by the Assistant Superintendent for proper inclusion on the SEFA.

Due to change in key personnel, training is still ongoing regarding how to properly report federal funding on the SEFA.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: 2017

#### Status of Audit Finding:

The Assistant Superintendent reviews claims, checks, reports, and reconciliations by reviewing all accompanying generated or ledger reports and physically signs to show approval. This includes the transfer reports for Program Income, and all claims and financial reports for School Food Accounts, Allowable Activities, and Allowable Costs.

After the Food Service Clerk makes a determination of eligibility for free and reduced meals, she gives the applications to the Food Service Director for review. The Food Service Director reviews 10% of the applications to verify for accuracy. The Food Service Director ensures the eligibility requirements set forth by USDA/IDOE is accurately updated each year by the computer software company used for application determinations. However as of Sept 2020, all student meals have been free.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: 2017

Status of Audit Finding:

All claims, checks, and reconciliations are signed by the Assistant Superintendent.

At the beginning of the school the main grocery supplies typically purchased that fall within the small purchase dollar threshold, are identified and price comparison is done with three other vendors to determine in general for the grouping of items the cheapest vendor to use for procurement. A process is still being developed on how to document the review of the quotes.

Purchases for items considered micro purchases are reviewed for reasonably cost at the time of purchase by the food service director and further reviewed by the assistant superintendent.

Quotes for office supplies are obtained at the beginning of each calendar year. The cheapest quote overall (not item basis) is used.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2019-005***

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Procurement policy for federal grants was adopted on 9/13/2019 and revised on 6/14/2021. It now properly addresses all aspects of the procurement requirements including suspension and debarment.

We now confirm for contracts over \$25,000 that the vendor is not debarred or suspended by checking the Federal government's System for Award Management or adding a clause or condition to the covered transactions with that vendor.

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Interim Superintendent: Dr. Kim Thurston  
School Board: Rodney Brough, Mark Day, Allison Ezzell, Becky Humphrey, Ray Oppel, Rebecca White

## CORRECTIVE ACTION PLAN

### ***FINDING 2021-001***

Contact Person Responsible for Corrective Action: Dr. Kim Thurston  
Contact Phone Number: 812-883-4437

Views of Responsible Official: Agreed

### Description of Corrective Action Plan:

The Corporation Treasurer now has a better understanding of reporting for the SEFA. The school district will reevaluate its internal controls system as it relates to the proper reporting of SEFA. The Corporation Treasurer will work with the Food Service Director to ensure accurate reporting for Food Service Programs. Reimbursements will be reviewed to ensure items are reported in the correct year and that all Federal Funds are reported.

Anticipated Completion Date: 8/31/2022

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## CORRECTIVE ACTION PLAN

### ***FINDING 2021-002***

Contact Person Responsible for Corrective Action: Dr. Kim Thurston  
Contact Phone Number: 812-883-4437

Views of Responsible Official: Agreed

### Description of Corrective Action Plan:

The Corporation Treasurer has gained a better understanding of combining ECA reports with Corporation reports to accurately report in Gateway. This knowledge should mitigate the errors in Curricular material and SNP Clearing Fund reporting.

The school district will reevaluate its internal controls system. The school district will look into further segregation of duties in regards to reviewing/approving disbursements.

Anticipated Completion Date: 7/1/2022

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## CORRECTIVE ACTION PLAN

### ***FINDING 2021-003***

Contact Person Responsible for Corrective Action: Dr. Kim Thurston  
Contact Phone Number: 812-883-4437

Views of Responsible Official: Agreed

Description of Corrective Action Plan:

This has been corrected. As of the FY21 school year, the Assistant Superintendent reviews and signs off on amounts recorded.

Anticipated Completion Date: Already completed

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## CORRECTIVE ACTION PLAN

### ***FINDING 2021-004***

Contact Person Responsible for Corrective Action: Dr. Kim Thurston  
Contact Phone Number: 812-883-4437

Views of Responsible Official: Agreed

Description of Corrective Action Plan:

This has been corrected. As of the May 2021 invoice, the Assistant Superintendent reviews and approves the invoice prior to emailing it to SCASEC.

Anticipated Completion Date: Already completed

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## 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/>.