

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MADISON-GRANT UNITED SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2019 to June 30, 2021



**FILED**

06/28/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shaela Smith Bengamin Mann	07-01-19 to 06-30-21 07-01-21 to 06-30-22
Superintendent of Schools	Dr. Scott Deetz	07-01-19 to 06-30-22
President of the School Board	Mary Jo Brunt	07-01-19 to 06-30-22



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

TO: THE OFFICIALS OF THE MADISON-GRANT UNITED SCHOOL  
CORPORATION, GRANT 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 Madison-Grant United 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 26, 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.

***Madison-Grant United School Corporation's Response to Findings***

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

***Purpose of This Report***

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



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 26, 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 MADISON-GRANT UNITED SCHOOL CORPORATION, GRANT COUNTY, INDIANA

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

We have audited the Madison-Grant United 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 2021-003, 2021-004, 2021-006, 2021-009, and 2021-010. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-009, and 2021-010, 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 26, 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 26, 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.

MADISON-GRANT UNITED 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>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2020	\$ -	\$ 50,728	\$ -	\$ -
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2020	-	4,173	-	-
School Breakfast Program			FY 2021	-	-	-	13,838
Total - School Breakfast Program				-	54,901	-	13,838
National School Lunch Program	Indiana Department of Education	10.555	FY 2020	-	196,574	-	-
National School Lunch Program			FY 2021	-	-	-	996
National School Lunch Program			FY2020; 2021	-	45,830	-	56,391
Commodities				-	-	-	-
Subtotal - National School Lunch Program				-	242,404	-	57,387
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2020	-	16,619	-	-
National School Lunch Program			FY 2021	-	-	-	53,243
National School Lunch Program				-	-	-	-
Total - National School Lunch Program				-	259,023	-	110,630
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2020	-	4,791	-	-
Summer Food Service Program			FY 2021	-	-	-	448,563
Summer Food Service Program				-	-	-	-
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2020	-	158,129	-	-
Summer Food Service Program			FY 2021	-	-	-	56,985
Summer Food Service Program				-	-	-	-
Total - Summer Food Service Program for Children				-	162,920	-	505,548
Total - Child Nutrition Cluster				-	476,844	-	630,016
Total - Department of Agriculture				-	476,844	-	630,016
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education _ Grants to States	Indiana Department of Education	84.027					
Special Education Part B 07/01/18-09/30/20			19611-020-PN01	-	174,048	-	-
Special Education Part B 07/01/19-09/30/21			20611-019-PN01	-	129,575	-	131,016
Special Education Part B 07/01/20-09/30/22			21611-020-PN01	-	-	-	113,751
Total - Special Education_Grants to States				-	303,623	-	244,767

MADISON-GRANT UNITED 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
Special Education _ Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool 07/01/18-09/30/20			19619-019-PN01	-	2,284	-	-
Special Education Preschool 07/01/19-09/30/21			20619-019-PN01	-	8,640	-	-
Special Education Preschool 07/01/20-09/30/22			21619-020-PN01	-	-	-	8,649
Total - Special Education_Preschool Grants				-	10,924	-	8,649
Total - Special Education Cluster (IDEA)				-	314,547	-	253,416
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY 18-19			S010A180014	-	124,993	-	-
Title I FY 19-20			S010A190014	-	212,437	-	34,300
Title I FY 20-21			S010A200014	-	-	-	144,842
Total - Title I Grants to Local Educational Agencies				-	337,430	-	179,142
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A 18-20 6842			S367A180013	-	37,286	-	-
Title II Part A 19-20			S367A190013	-	44,530	-	-
Title II Part A 20-21 6844			S367A200013	-	-	-	47,291
Total - Supporting Effective Instruction State Grants				-	81,816	-	47,291
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV 18-19			S424A180015	-	-	-	8,830
Title IV 19-20 5801			S424A190015	-	-	-	185
Total - Student Support and Academic Enrichment Program				-	-	-	9,015
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief Fund (GEER)		84.425C	S425C200018	-	-	-	257,649
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D210013	-	-	-	126,520
Total - COVID-19 - Education Stabilization Fund				-	-	-	384,169
Total - Department of Education				-	733,793	-	873,033
Total federal awards expended				\$ -	\$ 1,210,637	\$ -	\$ 1,503,049

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

MADISON-GRANT UNITED 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 to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. GEER I Fiscal Agent**

The School Corporation was a participant in a joint application with other Local Educational Agencies (LEAs) to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. The School Corporation serves as the fiscal agent for the grant. As a result, some of the activity for the GEER award that is presented as receipts and disbursements on the financial statement is not presented as federal awards expended on the SEFA for the School Corporation. This activity is reported on the SEFAs of each participating LEA as appropriate.

MADISON-GRANT UNITED 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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified 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: Financial Transactions and Financial Close 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 cash and investments, receipts, disbursements, financial account balances, and reporting.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash and Investments*

The School Corporation did not include the construction activity for the Solar Panel Construction project in its financial records. Additionally, the activity of the construction funds held at First Merchants Private Wealth Advisors (Bank) in the name of the School Corporation was not reconciled.

Depository reconciliations of the bank account balance to the financial statement fund balances were attempted monthly; however, the reconciliations did not balance after the School Corporation changed to a new software system in October 2020. Bank reconciliations from the new software system were provided for audit, but the section which documented the final comparison of the reconciled bank account balances to the total financial statement fund balances was not printed. If this section was not printed or saved at the time of preparation, it could not be retrieved at a later date. As of June 30, 2021, there was an unidentified difference between the reconciled bank account balances and the financial statement fund balances of \$36,055.

*Receipts*

The School Corporation did not have internal controls, which would include segregation of duties, over receipts. One employee was responsible for keying receipts into the accounting software with no oversight or review. Additionally, deposits were made by a different employee with no review.

*Disbursements*

The School Corporation did not have internal controls, which would include segregation of duties, over employer benefit disbursements. Employer benefit disbursements were paid without evidence of review and approval by an individual not involved in the original disbursement process.

*Financial Account Balances and Reporting*

The internal control in place over reporting the Form 9 and Annual Financial Report (AFR) was not effective in preventing, or detecting and correcting, errors. The Form 9s were uploaded to the Indiana Department of Education; however, there was no review after upload. Additionally, the AFR, which was the source of the financial statement, was prepared and uploaded to the Indiana Gateway for Government Units financial reporting system with no evidence of a review.

The construction project financial activity within the Construction - Solar Panel Project fund was not reported in the School Corporation's Form 9 or on the AFR. This resulted in the understatement of reported beginning cash and investments, receipts, and disbursements.

The School Corporation included the Clearing - Payroll fund and Clearing - Prepaid Food fund in the financial records. However, this activity was not reported on the Form 9s or the AFRs. This resulted in the financial statement being materially understated for beginning cash and investments, receipts, and disbursements.

Due to the lack of effective internal controls, the financial statement contained the following errors:

1. Solar Panel Project fund beginning cash and investments balance was understated by \$28,426. Receipts and disbursements were understated by \$218 and \$28,644, respectively, for fiscal year 2019-2020.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Prepaid Food fund beginning cash and investments balance was understated by \$5,084. Receipts and disbursements were understated by \$52,883 and \$46,641, respectively, for 2019-2020; and understated by \$59,958 and \$48,837, respectively, for 2020-2021.
3. Payroll Clearing fund beginning cash and investments balance was understated by \$47,206. Receipts and disbursements were understated by \$1,967,284 and \$1,982,563, respectively, for 2019-2020; and understated by \$4,371,816 and \$4,473,922, respectively, for 2020-2021.

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. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. The evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing board or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 control related to cash and investments, receipts, disbursements, and financial account balances and reporting.

*Effect*

The failure to establish a proper system of internal control enabled material misstatements to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

**FINDING 2021-002**

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 effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. The officials prepared the federal award information, but there was no evidence of a review after the information was submitted.

Due to the lack of internal controls, the SEFA presented for audit contained the following errors:

1. The Early Childhood Education Capacity grant was included in error, which overstated federal expenditures by \$78,091.
2. Child Nutrition Cluster expenditures were understated by \$110,841 and \$630,016 for the periods ended June 30, 2020 and 2021, respectively.
3. Special Education Cluster (IDEA) expenditures were understated by \$99,141 and overstated by \$223,861 for the periods ended June 30, 2020 and 2021, respectively.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

4. Title I Grants to Local Educational Agencies expenditures were overstated by \$228,365 for the period ended June 30, 2021.
5. Supporting Effective Instruction State Grants expenditures were overstated by \$85,606 for the period ended June 30, 2021.
6. COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER) program expenditures were overstated by \$121,682 for the period ended June 30, 2021.
7. Three additional grants were included in error which resulted in an overstatement of expenditures of \$10,850 for the period ended June 30, 2021.
8. Other errors included incorrect Assistance Listings Numbers, program names, and identifying numbers.

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

*Criteria*

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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:

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(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."

*Cause*

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

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(Continued)

*Effect*

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

*Views of Responsible Officials*

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

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

**FINDING 2021-003**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014, S010A200014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The School Corporation had not designed and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

The School Corporation did not ensure that planned services for private school students were provided. The School Corporation was to provide services to one private school per the grant application; however, the planned services were not provided.

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). . . ."

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(Continued)

20 USC 6320(a)(1) states:

"To the extent consistent with the number of eligible children identified under section 6315(c) of this title in the school district served by a local educational agency who are enrolled in private elementary schools and secondary schools, a local educational agency shall-

(A) after timely and meaningful consultation with appropriate private school officials, provide such children, on an equitable basis and individually or in combination, as requested by the officials to best meet the needs of such children, special educational services, instructional services (including evaluations to determine the progress being made in meeting such students' academic needs), counseling, mentoring, one-on-one tutoring, or other benefits under this part (such as dual or concurrent enrollment, educational radio and television, computer equipment and materials, other technology, and mobile educational services and equipment) that address their needs; and

(B) ensure that teachers and families of the children participate, on an equitable basis, in services and activities developed pursuant to section 6318 of this title."

*Cause*

Management had not developed an effective system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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 Special Tests and Provisions - Participation of Private School Children compliance requirement.

*Views of Responsible Officials*

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

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2021-004**

Subject: Title I Grants to Local Educational Agencies - Matching, Level of Effort, Earmarking; Reporting  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
Assistance Listings Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014,  
S010A200014

Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accurate reporting of Form 9 data submitted to the Indiana Department of Education (IDOE). The Form 9 data was utilized by the IDOE to calculate Maintenance of Effort and to complete State Per Pupil Expenditure (SPPE) Data reporting.

Out of 120 transactions, 7 tested had an identified error during Form 9 testing. Errors identified for fiscal year 2019-2020 included 2 instances of incorrect object codes and 1 instance in which the expense could not be located in the ledger. Errors identified for 2020-2021 included 4 instances in which the reported Form 9 expenses did not agree to the ledger disbursements.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following.

...

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in § 200.327 Financial reporting and § 200.328 Monitoring and reporting program performance. . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements 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 Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

*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: Title I Grants to Local Educational Agencies - Activities Allowed  
and Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014,  
S010A200014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and 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 and Unallowed, and the Allowable Costs/Cost Principles compliance requirements.

The School Corporation did not have internal controls in place over employer benefit disbursements. Employer benefit disbursements were paid without evidence of review and approval by a person not involved in the original disbursement process.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Activities Allowed and Unallowed, and the 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 and Unallowed, and the Allowable Costs/Cost Principles compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*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 Activities Allowed and Unallowed, and the 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.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2021-006**

Subject: Title I Grants to Local Educational Agencies - Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Reporting

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014, S010A200014

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Reporting compliance requirements.

The School Corporation had not established internal controls to ensure that requests for reimbursement (requests) were supported by adequate documentation. For 2 of 15 requests tested, supporting documentation to verify the amounts requested was not provided. Alternate records and procedures were used to compute and materially verify the amounts submitted for reimbursement. Additionally, there were 2 instances in which the School Corporation requested reimbursements using an estimated amount based on the Title I budget versus actual expenditures.

Additionally, although the reports were reviewed and approved by an official other than the preparer, the documentation provided to the reviewer lacked sufficient detail for the reviewer to effectively review and verify the reports.

The lack of internal controls and failure to maintain adequate supporting documentation 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). . . ."

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following  
...

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in in § 200.327 Financial reporting and § 200.328 Monitoring and reporting program performance. . . ."

*Cause*

The School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Reporting compliance requirements 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 agreements and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Reporting compliance requirements

*Views of Responsible Officials*

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

**FINDING 2021-007**

Subject: Child Nutrition Cluster - Activities Allowed and Unallowed,  
Allowable Costs/Cost Principles, 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, 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 2020, FY 2021

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and Unallowed, Allowable  
Costs/Cost Principles, Program Income

Audit Finding: Material Weakness

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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 Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Program Income compliance requirements.

The School Corporation did not have internal controls in place over employer benefit disbursements. Employer benefit disbursements were paid without evidence of review and approval by a person not involved in the original disbursement process.

The School Corporation had not designed or implemented adequate internal controls to ensure that food service collections were properly summarized and recorded in the School Lunch fund. The Food Service Director prepared a spreadsheet of transfers and the information from Meals Plus, the schools point of sales software, to determine the amount of the food service collections. However, the personnel in the Central Office did not complete a verification of the supporting documentation to ensure accuracy prior to recording the program income.

The lack of internal controls was a systemic issue, which occurred 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 Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Program Income 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 and Unallowed, the Allowable Costs/Cost Principles, and the Program Income compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, related to the grant agreement and the Activities Allowed and Unallowed, the Allowable Costs/Cost Principles, and the Program Income compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2021-008**

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, 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 2020, FY 2021

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 Food Service Director researched and prepared a list of direct certifications or an individual page for a direct certification. The list of direct certifications was then reviewed and approved by another individual. However, the individual pages, for an individual student, were not always included in the direct certification listing and they were not reviewed or approved for 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). . . ."

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(Continued)

*Cause*

The School Corporation had not developed a system of internal control that 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 a system of internal control, including segregation of duties, related to the grant agreement and 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 2021-009**

Subject: Child Nutrition Cluster - 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 2020, FY 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 2019-005.

*Condition and Context*

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

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(Continued)

The Food Service Director's salary is split between two School Corporations - Eastbrook School Corporation and the School Corporation. Eastbrook Community School Corporation invoices the School Corporation for 50 percent of the Food Service Director's salary.

The School Corporation did not perform the required suspension and debarment procedures with respect to the annual contractual arrangement for Food Service Director's service to ensure Eastbrook Community School Corporation was not suspended or debarred from participation in federal awards.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled 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.

MADISON-GRANT UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2021-010**

Subject: Child Nutrition Cluster - 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, COVID-19 - Summer Food Service Program for Children  
Assistance Listings Numbers: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): FY 2021  
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 system of internal control 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 Region 8 Educational Service Center (Service Center). The Service Center completed the Procurement and Suspension and Debarment compliance requirements on behalf of the School Corporation. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The bids for bread and milk were originally awarded for fiscal year 2018-2019 and were renewed for 2020-2021. The Service Center could not provide documentation that procedures were performed to verify the vendors were not suspended or debarred from participation in federal programs prior to entering into covered transactions with these vendors.

The lack of internal controls and noncompliance were isolated to 2020-2021.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

MADISON-GRANT UNITED SCHOOL CORPORATION  
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(Continued)

(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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management of 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.

*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.

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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.



# MADISON-GRANT UNITED SCHOOL CORPORATION

Scott Deetz, Ph. D., Superintendent Ben Mann, Chief Financial Officer Steve Vore, Assistant Superintendent  
Kristy Drewitz, Transportation Teresa Riggs, Payroll Allison Holloway, HR/Benefits Kim Hiatt, Grants  
Coordinator

*Inspire, challenge, and cultivate excellence in every Argyll.*

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2019-001**

Fiscal year in which the finding initially occurred: FY2018-2019

Status of Audit Finding: An in and out fund was created, fund number 9112 "Construction-Solar Project". The project had been closed prior to the finding due to the timing in which the project was completed. All future construction projects will be accounted for within the school's financial software system in order to create a proper system of internal controls around each project. This fund still failed to be published on the Form 9.

### **FINDING 2019-002**

Fiscal year in which the finding initially occurred: FY2013-2014

Status of Audit Finding: A spreadsheet similar to the SEFA report was created in order to help increase accuracy in reporting. The spreadsheet was not used and controls were not in place causing the SEFA to be inaccurate.

### **FINDING 2019-003**

Fiscal year in which the finding initially occurred: FY2015-2016

Status of Audit Finding: Our food service director takes our monthly average and multiplies it by three. She then uses that figure in comparison to our end of month fund balance with a spreadsheet she has created. The Food Service Director and Business Manager check the three month average expenditure to the fund report as part as the end of the month process.

### **FINDING 2019-004**

Fiscal year in which the finding initially occurred: FY2015-2016

Status of Audit Finding: Cash balances are reviewed and monitored monthly. The bank statement is signed off on by the Business Manager and Payroll/Deputy Treasurer. Monthly reports are given to Food Service Director from the Business Director. Reimbursements are tuned in monthly. Food service director approves timesheets for all Food Service Managers.

### **FINDING 2019-005**

Fiscal year in which the finding initially occurred: FY2015-2016

Status of Audit Finding: Annually, in June an action item is presented to our board for a vote as it pertains to our Food Service Director Contract between Eastbrook Community School Corporation and ourselves for shared services of a Food Service Director. Under the contract MGUSC continues to pay for half of the Food Service Director's salary, for a 217 day contract, FICA, PERF, Life and Long Term Disability, conference and travel expenses related to the position as Food Service Director. At the end of each contract Eastbrook and Madison-Grant have the option of renewing. Eastbrook has not been reviewed for suspension and debarment.



## **MADISON-GRANT UNITED SCHOOL CORPORATION**

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Scott Deetz, Ph. D., Superintendent Ben Mann, Chief Financial Officer Steve Vore, Assistant Superintendent  
Kristy Drewitz, Transportation Teresa Riggs, Payroll Allison Holloway, HR/Benefits Kim Hiatt, Grants  
Coordinator

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### CORRECTIVE ACTION PLAN

#### **Section II – Financial Statement Findings**

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

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

*Condition and Context:* The CFO will build the Form 9 and Annual Financial Report. The Deputy Treasurer will spot check and sign off on both. Then the Form 9 and Annual Financial Report will be presented to the Board of Education for approval. The documents for each report will be included in our board minutes for approval. Once board approved, the CFO will upload both the Form 9 and AFR. The Deputy Treasurer will sign off on the uploads for both the Form 9 and the AFR. Should a change have to be made to either report after board approval, then supporting documentation of the change will be filed by the CFO while being signed off by the CFO, Deputy Treasurer, and Superintendent.

*Cash and Investments:* All privately funded debt, in addition to payroll clearing funds and prepaid food funds will be included on both the Form 9 and Annual Financial Report beginning with the six month period ending June 30, 2022.

With each month's reconciliation beginning April 2022, the section documenting the final comparison of the reconciled bank account balances to the total financial statement fund balance within the reconciliation platform of eFinance will be included in the Gateway monthly upload. An internal spreadsheet has been built to track end of month fund balances from the financial statement and the bank balance beginning with June 2021.

*Receipts:* The CFO gathers receipt documentation including the bank deposit notice and passes on to Accounts Receivable. Accounts Receivable will enter receipts into the financial accounting

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software. The CFO will then review and sign off on the Batch Receipt Edit List report after Accounts Receivable has signed off on it.

*Disbursements:* The Payroll Deputy and CFO will review the Detail Distribution Report generated within PowerSchool eFinance at the time of each executed payroll. This report lists employee benefit amounts by Fund and Account Structure. This file will be initialed by both in the naming of the file and it will be placed in the folder associated with that specific payroll within the shared drive.

*Financial Account Balances and Reporting:* The CFO will build the Form 9 and Annual Financial Report. The Deputy Treasurer will spot check and sign off on both. Then the Form 9 and Annual Financial Report will be presented to the Board of Education for approval. The documents for each report will be included in our board minutes for approval. Once board approved, the CFO will upload both the Form 9 and AFR. The Deputy Treasurer will sign off on the uploads for both the Form 9 and the AFR. Should a change have to be made to either report after board approval, then supporting documentation of the change will be filed by the CFO while being signed off by the CFO, Deputy Treasurer, and Superintendent.

Anticipated Completion Date: Effective with the 2022 Period 1 Form 9 and the FY2022 Annual Financial Report.

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

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

*Condition and Context:* The CFO will build the SEFA. The Grants Coordinator will spot check and sign off on the SEFA. Then the SEFA will be presented to the Board of Education as part of the Annual Financial Report approval process. The CFO will then upload the AFR to Gateway. The Deputy Treasurer will sign off on the upload. Should a change have to be made to the SEFA after board approval, then supporting documentation of the change will be filed by the CFO and signed off on by the CFO, Grants Coordinator, and Superintendent.

Anticipated Completion Date: Effective with the FY2022 Annual Financial Report.

### **Section III – Federal Award Findings and Questioned Costs**

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

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

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Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Private school expenditures are submitted through the district's Title I Coordinator for approval. That individual will approve them for payment and pass along to be processed under the district's claim processing procedures. We will continue to encourage the private school to expend the allocations they are permitted and appropriate expenditures will be monitored by the Title I Coordinator. All correspondence with non-public school will be maintained for audit purposes.

Anticipated Completion Date: May 2022

**FINDING 2021-004**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Title I expenditures will be approved by the Title I Coordinator prior to payment processing. A shared spreadsheet has been developed by the CFO and shared with the Title I Coordinator so that expenditure accounts can be monitored in relation to the budget. The Form 9 and Annual Financial Report will be presented to the Board of Education for approval. The documents for each report will be included in our board minutes for approval. The Form 9 and AFR will be uploaded by the CFO.

Anticipated Completion Date: May 2022

**FINDING 2021-005**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Payroll Deputy and CFO will review the Detail Distribution Report generated within PowerSchool eFinance at the time of each executed payroll. This report lists employee benefit amounts by Fund and Account Structure. This file will be initialed by both in the naming of the file and it will be placed in the folder associated with that specific payroll within the shared drive.

Anticipated Completion Date: May 2022

**FINDING 2021-006**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The CFO and Grant Coordinator will ensure that all supporting documentation is included with the grant reimbursement including expenditure reports and supporting

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invoices. Invoice payments will be authorized for payment by the grant administrator. The CFO also authorizes invoice payments by utilizing the Batch Edit List generated by Accounts Payable.

Anticipated Completion Date: June 2022

**FINDING 2021-007**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Payroll Deputy and CFO will review the Detail Distribution Report generated within PowerSchool eFinance at the time of each executed payroll. This report lists employee benefit amounts by Fund and Account Structure. This file will be initiated by both in the naming of the file and it will be placed in the folder associated with that specific payroll within the shared drive.

The Food Service Director will provide the CFO with the worksheet and documentation that supports the amount being transferred from 8410 to 0800. The CFO will review and then pass on to Accounts Payable for the check transfer. The CFO will then approve the check amount within the Batch Receipt Edit List.

Anticipated Completion Date: May 2022

**FINDING 2021-008**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Direct certifications will be generated on a monthly basis by the Food Service Director, then reviewed and signed off on by another employee.

Anticipated Completion Date: May 2022

**FINDING 2021-009**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to the renewal of the Food Service Director contract, the CFO will ensure that Eastbrook Community Schools is not suspended or debarred from participation in federal awards. This check will be completed on the sam.gov website and the documentation will be included with the contract. It will be signed off on by the CFO and Deputy Treasurer.

Anticipated Completion Date: Prior to the executed 2022-2023 contract and each additional contract thereafter.

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**FINDING 2021-010**

Contact Person Responsible for Corrective Action: Bengamin Mann, CFO  
Contact Phone Number: 765.536.0008

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will request from Region 8 documentation stating the vendors in which they intend to do business with has not been excluded or disqualified. The provided documentation will be reviewed by the Food Service Director and the CFO, then signed and retained.

Anticipated Completion Date: July 2022

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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/>.