

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TIPTON COMMUNITY SCHOOL CORPORATION

TIPTON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
02/09/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-18
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-21
Corrective Action Plan	22-23
Other Reports.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Phillips	07-01-20 to 07-08-22
	(Vacant)	07-09-22 to 07-10-22
	Dawn Benefiel	07-11-22 to 09-11-22
	Brook Cleaver	09-12-22 to 06-30-23
Superintendent of Schools	Dr. Ryan Glaze	07-01-20 to 06-30-23
President of the School Board	Gary Plumer	07-01-20 to 12-31-22
	Jennifer Humrichous	01-01-23 to 06-30-23



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 TIPTON COMMUNITY SCHOOL
CORPORATION, TIPTON 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 Tipton Community School Corporation (School Corporation), for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 26, 2023, 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.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

Tipton Community School Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

January 26, 2023



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 TIPTON COMMUNITY SCHOOL CORPORATION, TIPTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Tipton Community School Corporation's (School Corporation), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2020 to June 30, 2022. 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.

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, 2020 to June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

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)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

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)

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. 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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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, 2020 to June 30, 2022, and the related notes to the financial statement. We issued our report thereon dated January 26, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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

January 26, 2023

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.

TIPTON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Dept of Education	10.553	FY 21-22	\$ -	\$ -	\$ -	155,574
FY 2021-22 School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Dept of Education	10.553	FY 20-21	-	19,662	-	-
FY 2020-21 School Breakfast Program							
Total - School Breakfast Program				-	19,662	-	155,574
National School Lunch Program							
FY 2020-21 National School Lunch Program	Indiana Dept of Education	10.555	FY 20-21	-	444,545	-	-
FY 2021-22 National School Lunch Program			FY 21-22	-	-	-	677,393
Commodities			FY 20-22	-	67,525	-	84,570
COVID-19 - National School Lunch Program	Indiana Dept of Education	10.555	FY 20-21	-	66,738	-	-
FY 2020-21 National School Lunch Program							
Total - National School Lunch Program				-	578,808	-	761,963
Summer Food Service Program for Children	Indiana Dept of Education	10.559	FY 21-22	-	-	-	3,557
FY 2021-22 Summer Food School Program for Children							
Total - Child Nutrition Cluster				-	598,470	-	921,094
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	Indiana Dept of Education	10.649	FY 21-22	-	-	-	614
Pandemic EBT Administrative Costs							
Total - Department of Agriculture				-	598,470	-	921,708
<u>Department of Education</u>							
Special Education Cluster(IDEA)							
Special Education Grants to States	Indiana Dept of Education	84.027					
FY 2019 Part B 611			19611-033-PN01	-	29,681	-	-
FY 2019 Part B 611			19611-033-PN01	-	-	-	1,627
FY 2020 Part B 611			20611-033-PN01	-	208,387	-	-
FY 2020 Part B 611			20611-033-PN01	-	-	-	4,172
FY 2021 Part B 611			21611-33-PN01	-	138,541	-	-
FY 2021 Part B 611			21611-33-PN01	-	-	-	217,300
FY 2022 Part B 611			22611-33-PN01	-	-	-	134,985
FY 2022 IDEA ARP 611			22611-033-ARP	-	-	-	4,016
Total - Special Education Grants to States				-	376,609	-	362,100
Special Education Preschool Grants	Indiana Dept of Education	84.173					
FY 2020 Preschool 619			20619-033-PN01	-	821	-	-
FY 2021 Preschool 619			21619-033-PN01	-	14,099	-	-
FY 2021 Preschool 619			21619-033-PN01	-	-	-	821
FY 2022 Preschool 619			22619-33-PN01	-	-	-	14,097
FY 2022 IDEA ARP 619			22619-033-ARP	-	-	-	5,778
Total - Special Education Preschool Grants				-	14,920	-	20,696
Total - Special Education Cluster(IDEA)				-	391,529	-	382,796

TIPTON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Title I Grants to Local Educational Agencies	Indiana Dept of Education	84.010					
Title I FY 19-20			S010A190014	-	84,012	-	-
Title I FY 20-21			S010A200014	-	32,735	-	-
Title I FY 20-21			S010A200014	-	-	-	120,498
Title I FY 21-22			S010A210014	-	-	-	80,603
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	116,747	-	201,101
Supporting Effective Instruction State Grants	Indiana Dept of Education	84.367					
FFY 2019 Title II			S367A190013	-	29,313	-	-
FFY 2019 Title II			S367A190013	-	-	-	2,669
FFY 2020 Title II			S367A200013	-	6,823	-	-
FFY 2020 Title II			S367A200013	-	-	-	34,278
FFY 2021 Title II			S367A210013	-	-	-	25,508
				-	-	-	-
Total - Supporting Effective Instruction State Grants				-	36,136	-	62,455
Student Support and Academic Enrichment Program	Indiana Dept of Education	84.424					
Title IV FY18			S424A180015	-	4,383	-	-
Title IV FY19			S424A190015	-	11,825	-	-
Title IV FY20			S424A200015	-	4,397	-	-
Title IV FY20			S424A200015	-	-	-	8,582
Title IV FY21			S424A210015	-	-	-	9,984
				-	-	-	-
Total - Student Support and Academic Enrichment Program				-	20,605	-	18,566
COVID-19 - Education Stabilization Fund	Indiana Dept of Education	84.425					
Governor's Emergency Education Relief Fund		84.425C	S425C200018	-	11,669	-	-
Governor's Emergency Education Relief Fund		84.425C	S425C200018	-	-	-	66,800
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D200013	-	121,690	-	-
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D200013	-	-	-	41,798
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D210013	-	-	-	117,996
American Rescue Plan - Elementary and Secondary School Emergency Fund Relief		84.425U	S425U210013	-	-	-	382,801
				-	-	-	-
Total - COVID-19 - Education Stabilization Fund				-	133,359	-	609,395
Total - Department of Education				-	698,376	-	1,274,313
<u>Department of Homeland Security</u>							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Dept of Homeland Security	97.036					
Disaster Grants - Public Assistance			FY 21/22	-	18,292	-	-
				-	-	-	-
Total - Department of Homeland Security				-	18,292	-	-
Total federal awards expended				\$ -	\$ 1,315,138	\$ -	\$ 2,196,021

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

TIPTON COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2021 and 2022. 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. Kokomo Area Special Education Cooperative

The School Corporation is a member of the Kokomo Area Special Education Cooperative (KASEC). The KASEC operates the Special Education program for the School Corporation. As a result, the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the fiscal agent for the KASEC, Western School Corporation.

TIPTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	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 2022-001

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 2020-001.

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

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 School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The Child Nutrition Cluster expenditures were overstated by \$75,322 for fiscal year ended June 30, 2021, and \$83,510 for fiscal year ended June 30, 2022.
2. The Special Education Cluster (IDEA) expenditures were understated by \$138,542 for fiscal year ended June 30, 2021.
3. Other errors included incorrect or missing 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 . . ."

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

- (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.

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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 20-21, FY 21-22
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 2020-004.

Condition and Context

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

When the value of the procurement for property or services under a federal financial assistance award exceeds the simplified acquisition threshold, formal procurement methods are required. Formal procurement methods require sealed bids or proposals unless a non-competitive procurement can be used.

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

During fiscal year 2021-2022, one of two vendors that exceeded the simplified acquisition threshold was not properly procured. The School Corporation entered into a contract with a vendor for a new cooler freezer project; however, public solicitation of bids or proposals were not obtained. Additionally, the School Corporation did not verify that the vendor was neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs prior to entering into the contract, which exceeded \$25,000.

The lack of internal controls and noncompliance were isolated to 2021-2022, and the vendor noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(i) states:

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

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319, for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award. . . .

- (b) *Formal procurement methods.* When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

- (1) *Sealed bids.* A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. . . .

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

- (2) *Proposals*. A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. . . . "

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 had not developed a system of internal control to ensure 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 or the compliance requirement listed above could result in loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and to 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.

AUDITEE-PREPARED DOCUMENTS

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



TCSC

TIPTON COMMUNITY SCHOOL CORPORATION

1051 S. Main Street • Tipton, Indiana 46072 • Office: 765-675-2147 • Fax: 765-675-3857

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: 2018. This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Status of Audit Finding: Partially Corrected. This is still a work in progress as the former treasurer in error included all revenue to the school lunch fund in the AFR which overstated income in 2020-21 and 2021-22 which was not detected by the incoming treasurers. Current treasurer will make notations to include only federal funds for the school lunch fund in future AFRs. Corrected as to commodities. Commodities were reported for 2020-21 and 2021-22. Errors on CFDA and program numbers are corrected to the current treasurer's knowledge. Current treasurer will take further steps to prevent and detect errors and omissions on future SEFA by reviewing all expenditure and revenue histories of federal grants, meeting with grant managers and communicating with IDOE and the special education cooperative as needed.

FINDING 2020-002

Fiscal year in which the finding initially occurred: 2018 This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2018-003, 2018-004, and 2018-005, regarding Cash Management, Eligibility, and Program Income, respectively.

Status of Finding on Cash Management – Corrected. Food Service Director (FSD) prepares a monthly cash tracker to ensure that cash balances do not exceed the 3 month average. FSD emails tracker to Treasurer and Superintendent monthly for monitoring, review and comment if needed.

Status of Finding on Eligibility – Corrected with the exception of 2nd eligibility reviewer. TCSC transitioned to Powerschool during the school year 2021-22. The current process is as follows: Parent/guardian applies online using the application through Powerschool. The application is reviewed to ensure it was filled out completely. Powerschool calculates income and shows the household size to match then the food service director reviews and assigns a status of paid, free, or reduced using the state criteria. Powerschool generates a file which is provided to the IT Director to upload which then applies a status of paid, free, or reduced to student accounts. Direct certification files are retrieved from CNPWeb Portal and the file is uploaded by the IT Department. Random reviews of the system to check status are performed frequently and as needed. Superintendent, Treasurer and FSD are meeting to determine which staff member will become the in house food service director and 2nd reviewer for free and reduced applications.

Status on Finding regarding Program Income – Corrected. Superintendent and Treasurer review supporting documentation and sign off on prepaid meal transfers monthly.

Status of Finding on Paid Lunch Equity (National School Lunch Program and COVID 19 National School Lunch Program) - Corrected - The Food Service Director used the USDA prescribed formula to create the structure of meal prices and provides results to the Superintendent. Superintendent reviews for accuracy and provides proposed meal prices to the Board of School Trustees for final review and approval.



TOSC

FINDING 2020-003

Fiscal year in which the finding initially occurred: 2018. This is a repeat finding from the immediately prior audit report regarding Allowable Costs/Cost Principles. The prior audit finding number was 2018-002.

Allowable Cost – Corrected. Our food service management company still administers the Child Nutrition Cluster for the corporation. Café managers place all orders, check and sign off on invoices as products such as food and other supplies are received. Those invoices are then sent to the Food Service Director noting damaged, returned, or items not included in shipment. FSD reviews and submits to the food service management company for compliance review and billing purposes. At the end of the month, all invoices are submitted to the treasurer for review. The Treasurer and Superintendent work with our food service management director to ensure that all expenditures are allowable costs. We require that the food service management director provide all supporting documents with our monthly invoice for services rendered. This includes, but is not limited to, food/supply costs, salaries and wages, administrative fees and management fees. The Superintendent reviews and signs off on Aramark invoices to the corporation.

FINDING 2020-004

Fiscal year in which the finding initially occurred: 2020

Status of Finding on Procurement/Suspension/Debarment - Ongoing. Current treasurer cannot find any indication of whether this was corrected or not. Such provisions are contained in the Aramark contract, however, whether other vendors were checked is not known to the current treasurer.

Status of Finding on credits, rebates, discounts and actual payment of Invoices by FSMC. Some instances corrected and some ongoing - FSMC invoices do contain information on rebates, etc. Current treasurer has no knowledge of whether prior treasurer verified invoices were actually paid by FSMC. Current treasurer has no knowledge as to whether price or rate quotations were obtained from an adequate number of qualified sources for all small purchases and kept on file.

Moving forward, the treasurer will randomly select invoices from the monthly packet provided by FSD and request proof that said invoices were actually paid by FSMC and keep said documentation on file. Treasurer will follow the food service procurement processes and policies in place regarding small purchases and will keep any documentation on file when required. Treasurer will check vendor status of suspension/debarment in Sam.gov moving forward and keep said documentation on file.

FINDING 2020-005

Fiscal year in which the finding initially occurred: 2020

Status on Finding regarding Verification - Corrected. Files for 2021-22 appear to have complete documentation including necessary income documentation.



TOSC

TIPTON COMMUNITY SCHOOL CORPORATION

1051 S. Main Street • Tipton, Indiana 46072 • Office: 765-675-2147 • Fax: 765-675-3857

CORRECTIVE ACTION PLAN

FINDING 2022-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brook Cleaver
Contact Phone Number: (765) 675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: This area is still a work in progress as the former treasurer in error included all revenue to the school lunch fund in the AFR which overstated income in 2020-21 and 2021-22 which was not detected by the incoming treasurers. Current treasurer will make notations to include only federal funds for the school lunch fund in future AFRs. Treasurer will thoroughly review revenue and expenditure data provided by special education cooperative to ensure that all data is included in future AFR submissions. Treasurer will take further steps to prevent and detect errors and omissions on future SEFA by reviewing all expenditure and revenue histories of federal grants, meeting with grant managers and communicating with IDOE and SBOA as may be necessary if CFDA numbers, program names and identifying numbers cannot be found in documentation.

Anticipated Completion Date: July 31, 2023



TCS

TIPTON COMMUNITY SCHOOL CORPORATION

1051 S. Main Street • Tipton, Indiana 46072 • Office: 765-675-2147 • Fax: 765-675-3857

CORRECTIVE ACTION PLAN

FINDING 2022-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brook Cleaver
Contact Phone Number: (765) 675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Superintendent and Treasurer will work to ensure that bids are sought and kept on file for projects exceeding the simplified acquisition threshold. Once a vendor is selected, Treasurer will search exclusions in the Sam.gov portal for vendors that may be suspended or debarred from participation in federal assistance programs and keep said documentation on file.

Anticipated Completion Date: Immediately.

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/>.