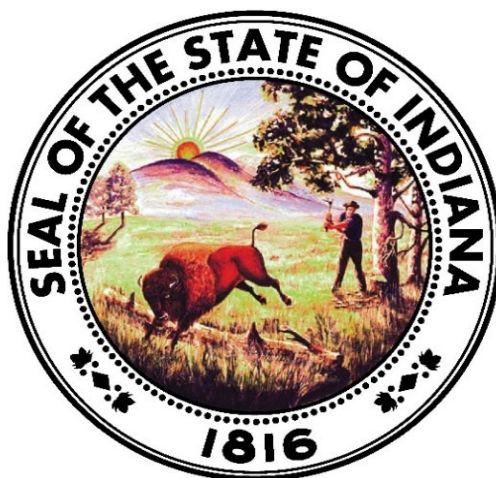


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT
OF

SOUTHWESTERN JEFFERSON COUNTY
CONSOLIDATED SCHOOL CORPORATION
JEFFERSON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
02/24/2023

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	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-29
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	32-33
Corrective Action Plan	34-41
Other Reports.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Laura M. Boldery	07-01-20 to 06-30-23
Superintendent of Schools	Jeffrey L. Bates	07-01-20 to 06-30-23
President of the School Board	Richard P. Stockdale	07-01-20 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 SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED
SCHOOL CORPORATION, JEFFERSON 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 Southwestern Jefferson County Consolidated 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 February 13, 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 items 2022-001 and 2022-002, 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)

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.

Southwestern Jefferson County Consolidated 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

February 13, 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 SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Southwestern Jefferson County Consolidated 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.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2020 to June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2020 to June 30, 2022.

Basis for Qualified and Unmodified Opinions

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.

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)

Matter Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the 84.425 COVID-19 - Education Stabilization Fund as described in item 2022-005 for Special Tests and Provisions - Wage Rate Requirements, consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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.

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.

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 2022-003, 2022-004, and 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

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 items 2022-003, 2022-004, 2022-005, 2022-006, and 2022-007, 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 February 13, 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

February 13, 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.

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SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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 Department of Education	10.553					
Student Breakfast Program			SY 2020-2021	\$ -	\$ 153,738	\$ -	\$ -
Student Breakfast Program			SY 2021-2022	-	-	-	218,609
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
Student Breakfast Program			SY 2020-2021	-	30,098	-	-
Total - School Breakfast Program				-	183,836	-	218,609
National School Lunch Program	Indiana Department of Education	10.555					
Student Lunch Program			SY 2020-2021	-	341,752	-	-
Commodities			SY 2020-2021	-	75,476	-	-
Student Lunch Program			SY 2021-2022	-	-	-	598,308
Commodities			SY 2021-2022	-	-	-	81,990
Subtotal - National School Lunch Program				-	417,228	-	680,298
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
Student Lunch Program			SY 2020-2021	-	78,293	-	-
Total - National School Lunch Program				-	495,521	-	680,298
Total - Child Nutrition Cluster				-	679,357	-	898,907
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
PEBT Admin			SY 2021-2022	-	-	-	614
Total - Department of Agriculture				-	679,357	-	899,521
<u>Department of Justice</u>							
Public Safety Partnership and Community Policing Grants	Direct						
Federal COPS		16.710	2019SVWX0091	-	-	-	126,766
Total - Department of Justice				-	-	-	126,766

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2019 Federal Part B 611			19611-036-PN01	-	53,178	-	-
FY2020 Federal Part B 611			20611-035-PN01	-	248,994	-	66,149
FY2021 Federal Part B 611			21611-035-PN01	-	62,702	-	280,410
FY2022 Federal Part B 611			22611-035-PN01	-	-	-	52,707
Total - Special Education Grants to States				-	364,874	-	399,266
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY2019 Federal Preschool 619			19619-036-PN01	-	3,521	-	-
FY2020 Federal Preschool 619			20619-035-PN01	-	7,791	-	2,972
FY2021 Federal Preschool 619			21619-035-PN01	-	777	-	7,921
Total - Special Education Preschool Grants				-	12,089	-	10,893
Total - Special Education Cluster (IDEA)				-	376,963	-	410,159
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant			S010A190014	-	106,025	-	53,422
Title I Basic Grant			S010A200014	-	101,138	-	40,106
Title I Basic Grant			S010A210014	-	-	-	191,905
Total - Title I Grants to Local Educational Agencies				-	207,163	-	285,433
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A180013	-	1,973	-	-
Title II Part A			S367A190013	-	32,877	-	1,000
Title II Part A			S367A200013	-	5,344	-	14,794
Total - Supporting Effective Instruction State Grants				-	40,194	-	15,794

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Grant			S424A190015	-	6,294	-	6,299
Title IV Grant			S424A200015	-	462	-	8,000
Total - Student Support and Academic Enrichment Program				-	6,756	-	14,299
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief		84.425C	S425C200018	-	242,515	-	32,485
Coronavirus Aid Relief and Economic Securities Act		84.425D	S425D200013	-	8,962	-	87,403
ESSER II (CRRSA)		84.425D	S425D210013	-	-	-	726,082
ESSER III		84.425U	S425U210013	-	-	-	940,707
Total - COVID-19 - Education Stabilization Fund				-	251,477	-	1,786,677
Total - Department of Education				-	882,553	-	2,512,362
<u>Department of Homeland Security</u>							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036					
FEMA			DR-4515-IN	-	-	-	28,385
Total - Department of Homeland Security				-	-	-	28,385
Total federal awards expended				\$ -	\$ 1,561,910	\$ -	\$ 3,567,034

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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. Madison Area Educational Special Services Unit

The School Corporation is a member of the Madison Area Educational Special Services Unit (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Qualified

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

Auditee qualified as low-risk auditee?	no
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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.

Condition and Context

The School Corporation had not established effective internal controls over the federal grant 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).

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Title I Grants to Local Educational Agencies expenditures had errors that resulted in misstatements of expenditures of \$244,805, in total.
2. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$128,419, in total.
3. Other errors included incorrect program names, identifying numbers, pass-through entities and federal grantor agencies.

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 . . ."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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 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 percent de minimis cost rate as covered in § 200.414."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established an effective 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 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 2022-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-002.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement.

The Treasurer uploaded the School Corporation's financial information into Gateway; however, there was not a documented review or approval of the data prior to submission that would have allowed for the detection or correction of errors on the financial statement.

Additionally, the School Corporation had no process to identify or communicate corrective action to improve internal controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal controls.

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:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, 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. . . ."

Cause

Management had not established a proper system of internal control, including monitoring of internal controls, to ensure proper reporting of the financial statement.

Effect

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, material misstatements in a timely manner.

Views of Responsible Officials

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The School Corporation had not designed, nor implemented, a system of internal control to ensure that the annual Elementary and Secondary School Emergency Relief (ESSER) and the Governor's Emergency Education Relief (GEER) annual data collection reports (Reports) were complete and accurately submitted. The Reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

Additionally, for two of eight key line items tested the documentation provided did not agree with the information reported. The Full Time Equivalent (FTE) key line item on the ESSER I, Year 1, and GEER I, Year 1, reports were understated by 5.5 and 19 FTE employees, respectively.

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 §§ 200.328 and 200.329. . . ."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

Cause

Management had not developed or implemented a system of internal control that would have ensured compliance with the grant agreement and the Reporting 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 Reporting compliance requirement could result in the 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 internal controls to ensure compliance with the grant agreement and the Reporting 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 2022-004

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425
Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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 Equipment and Real Property Management compliance requirement.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation paid \$481,504 for smart boards with COVID-19 - Education Stabilization Fund program funds. These assets were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds the title, acquisition date, cost of property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location and the use and condition of the property.

Additionally, the School Corporation performed a physical inventory in November of 2021, which included the smart boards; however, the inventory was not reconciled to the capital asset records. As a result, these assets were not properly safeguarded and maintained.

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 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . .

Cause

Management had not developed or implemented a system of internal control that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement could result in the 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 comply with the grant agreement and the Equipment and Real Property Management 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 2022-005

Subject: COVID-19 - Education Stabilization Fund - Special Tests
and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425
Federal Award Number and Year (or Other Identifying Number): S425D210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation obtained quotes for the installation of an air purification system and the upgrade of the facility to touchless fixtures and water fountains. The amounts paid to the vendor for the building improvements totaled \$333,000. No contracts were signed with the vendor that contained the required prevailing wage rate clause. Additionally, the required certified payrolls were not presented for audit.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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). . . ."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

Management had not designed or implemented a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements 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 - Wage Rate Requirements compliance requirement could result in the 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 comply with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-006

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 21611-035-PN01, 21619-035-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Costs
Principles, Period of Performance
Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation was a participating member of the Madison Area Education Special Services Unit Cooperative (Cooperative). The School Corporation was reimbursed by the Cooperative, based on invoices prepared and submitted by the School Corporation for payments to substitute teachers and audit costs related to the special education grants. There was no evidence of administrative oversight of the invoice preparation and submission process by a knowledgeable individual, to ensure that the amounts invoiced were for activities allowed, that the costs were allowable, and were for costs incurred during the period of performance.

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 established a system of internal control that would have ensured compliance with the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement, and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance 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 2022-007

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

Assistance Listings Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2020-2021, SY 2021-2022

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not obtain price or rate quotes for two of the four vendors tested that were less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. The micro-purchase threshold may be increased, but the School Corporation did not provide documentation that the threshold had been increased. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit.

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 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

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

2 CFR 200.320(b) (Uniform Guidance) states:

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

2 CFR 200.320 (Revised Uniform Guidance) states in part:

"The non-Federal entity must have and use document 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.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases –*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

Cause

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

Effect

The failure to design and implement an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the 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 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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-001

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: Partially Corrected. We have reviewed our internal controls and are implementing a process to help ensure it is being completed. Federal Grant information for the SEFA is being reviewed and approved prior to submitting. The process continues to be updated as we develop our understanding of how grants should be reported in Gateway.

Finding 2020-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Partially Corrected. Internal controls systems have started to be put in place to monitor different aspects of the financial process. We are still implementing processes for the submission of the financial data in Gateway. The process continues being updated as needed and time allows.

FINDING 2020-003

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected. We have reviewed our internal controls and monitoring system and implemented a process to help ensure it is being completed. Employees that perform multiple duties for the School Corporation now fill out different time sheets for each job.

FINDING 2020-004

Fiscal Year in which the finding initially occurred: 2014

Status of Audit Finding: Corrected. The Child Nutrition Director has a process in place to verify if vendors are suspended or debarred from participation in the federal program and retains the supporting documentation.

FINDING 2020-005

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected. Maintenance of Effort calculations were not required to be completed for school year 2020-2021 and 2021-2022 because the state completed part 2 of the application. We have reviewed our internal controls and will implement a process when the next application is filed.

FINDING 2020-006

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrected. Madison Special Education Cooperative has a treasurer who now sends monthly reports to all schools in the Co-op. It has been monitored and is on file in our school corporation for audit. The internal control continues being updated as needed and time allows.

Board of School Trustees

Richard Stockdale - President | John Jones - Vice President | Jonathan Simpson - Secretary
Misty Jacobs - Member | Lacie Deputy - Member
Assistant to the Superintendent / Corporation Treasurer
Laura Boldery

239 South Main Cross Street
Hanover, Indiana 47243
Phone: 812-866-6250
Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Jason R. Watson, Assistant Superintendent

Contact Phone Number: Office 812-866-6244 | Cell: 812-599-0627

Contact Email: jwatson@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-001 includes, but is not limited to, the following:

- Beginning July 1, 2023, an effective internal control system will be implemented related to information entered into the Indiana Gateway for Government Units (Gateway) financial reporting systems, which is the source of the School's Schedule of Expenditures of Federal Awards (SEFA).
- The Assistant Superintendent will prepare and format the data for the SEFA Report.
- The prepared and formatted data will be shared via a DocuSign Envelope, or similar digital eSignature application, to be reviewed for accuracy.
- The DocuSign Envelope will be routed to the Treasurer for the initial review. His/her eSignature will indicate its completion.
- It will next be routed to the Deputy Treasurer for a second review. His/her eSignature will indicate its completion.
- The DocuSign envelope will be routed back to the Assistant Superintendent for submission, barring any required corrections.
- In the event that corrections to the report are required, the Assistant Superintendent's eSignature in the appropriate location will indicate that corrections are needed prior to submission.
- A second DocuSign Envelope, with the needed corrections, will be generated and proceed through the process again.
- When the report is officially submitted, the Assistant Superintendent will indicate its completion by eSignature in the appropriate location.
- The Superintendent will monitor the internal controls by confirming that both the Treasurer and Deputy Treasurer have completed their review and indicated as such via eSignatures.
- The Chief Financial Officer will receive a carbon copy of the completed DocuSign Envelope.

Anticipated Completion Date: August 31, 2023

Board of School Trustees

Richard Stockdale - President | John Jones - Vice President | Misty Jacobs - Secretary
Jonathan Simpson - Member | Lacie Deputy- Member

Chief Financial Officer

Laura Bolderly

239 South Main Cross Street
Hanover, Indiana 47243

Phone: 812-866-6250

Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Laura Boldery, CFO/Corporation Treasurer

Contact Phone Number: Office: 812-866-6253 | Cell: 812-801-9070

Contact Email: laurab@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-002 includes, but is not limited to, the following:

- We will review our internal controls again and try to implement a process to ensure it is being completed.
- The Assistant Treasurer, Melissa May, completes the Bank Statement. The Corp. Treasurer, Laura Boldery, monitors the Bank Statement. The Corp. Treasurer completes, verifies totals, and files all monthly reports. The Assistant Treasurer will monitor the reports prior to submission in Gateway.
- The annual financial report will be prepared and monitored as above prior to submission.

Anticipated Completion Date: February 1, 2023

Board of School Trustees

Richard Stockdale - President | John Jones - Vice President | Misty Jacobs - Secretary
Jonathan Simpson - Member | Lacie Deputy- Member

Chief Financial Officer

Laura Boldery

239 South Main Cross Street
Hanover, Indiana 47243

Phone: 812-866-6250
Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Jason R. Watson, Assistant Superintendent

Contact Phone Number: Office 812-866-6244 | Cell: 812-599-0627

Contact Email: jwatson@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-003 includes, but is not limited to, the following:

- Beginning December 27, 2022, an effective internal control system was implemented related to grant agreement and the reporting compliance requirements.
- The Assistant Superintendent prepares and formats the data for required reporting.
- The prepared and formatted data, and supporting documentation is shared via a DocuSign Envelope to be reviewed for accuracy.
- The DocuSign Envelope is routed to the Treasurer for the initial review. His/her eSignature indicates its completion.
- It is then routed to the Deputy Treasurer for a second review. His/her eSignature indicates its completion.
- The DocuSign envelope is then routed back to the Assistant Superintendent for submission, barring any required corrections.
- In the event that corrections to the report are required, the Assistant Superintendent's eSignature in the appropriate location indicates that corrections are needed prior to submission.
- A second DocuSign Envelope, with the needed corrections, is then generated and proceeds through the process again.
- When the report is officially submitted, the Assistant Superintendent indicates its completion by eSignature in the appropriate location.
- The Superintendent monitors the internal controls by confirming that both the Treasurer and Deputy Treasurer have completed their review and indicates as such via eSignatures.
- The Chief Financial Officer receives a carbon copy of the completed DocuSign Envelope.

Anticipated Completion Date: December 27, 2022

Board of School Trustees

Richard Stockdale - President | John Jones - Vice President | Misty Jacobs - Secretary
Jonathan Simpson - Member | Lacie Deputy- Member

Chief Financial Officer

Laura Boldery

239 South Main Cross Street
Hanover, Indiana 47243

Phone: 812-866-6250

Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: Jason R. Watson, Assistant Superintendent

Contact Phone Number: Office: 812-866-6244 | Cell: 812-599-0627

Contact Email: jwatson@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-004 includes, but is not limited to, the following:

- Beginning March 8, 2023, an effective internal control system will be implemented related to equipment and real property management compliance requirements.
- In November of 2021, Southwestern Jefferson County Consolidated Schools (SWJCS) contracted with Asset Control Solutions, Inc. (ACS), a professional fixed asset inventory and management services that creates and maintains an accurate and detailed record of our corporation's property, and ensures that SWJCS is properly insured with an on-site and in-depth insurance valuation for our agent.
- ACS provides the corporation with a SharePoint site to access and manage all of the equipment and real property data. This site allows for the addition and deletion of inventory by selected corporation staff to ensure its accuracy.
- The smart boards mentioned in this finding had not been received at the time of the November assessment by ACS and the corporation was advised not to include these items in the inventory until they had actually been received on site.
- These items have been added to the inventory, properly tagged, and are reflected in updated reports recently received.
- Beginning March 8, 2023, SWJCS will begin the use of Boyce School Financial (BSF) for our financial software. This cloud-based system provides import and export abilities that were not available in the DOS based system that was in use at the time of the audit period.
- As a result of the capabilities of the BSF System, we will begin March 8th with the most current data from ACS in BSF.
- Moving forward, the process for items meeting the capital assets threshold will include, but is not limited to, the following:
 - » When item(s) meeting the capital assets threshold are received, the recipient will affix the proper inventory sticker to the item(s) and complete the inventory change form either digitally or hard copy and submit to the Treasurer for processing.

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FINDING 2022-004: Corrective Action Plan Continued

- » The Treasurer will enter the data provided by the recipient into the BSF System and provide the inventory change form to the Assistant Superintendent.
- » The Assistant Superintendent will confirm that the item(s) have been accurately entered into BSF and enter the information in the ACS system through SharePoint.
- » The inventory change form will then be provided to the Deputy Treasurer.
- » The Deputy Treasurer will confirm that the item(s) have been accurately entered into BSF and SharePoint.
- » Every two years, tentatively scheduled for November of 2023, ACS will return and complete a thorough GASB 34 Compliant Capital Asset Inventory and provide the corporation with the resulting reports.
- » The Assistant Superintendent will complete a change form for any resulting corrections needed and update BSF with these changes. The change form be routed to the Treasurer.
- » The Treasurer will confirm that the item(s) have been accurately entered into BSF and send the form to the Deputy Treasurer.
- » This process will be documented using DocuSign by following a similar process as outlined in Finding 2022-001 and 2022-003.

Anticipated Completion Date: March 31, 2023

Board of School Trustees

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Jonathan Simpson - Member | Lacie Deputy- Member

Chief Financial Officer

Laura Boldery

239 South Main Cross Street
Hanover, Indiana 47243

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Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-005

Contact Person Responsible for Corrective Action: Jason R. Watson, Assistant Superintendent

Contact Phone Number: Office: 812-866-6244 | Cell: 812-599-0627

Contact Email: jwatson@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-005 includes, but is not limited to, the following:

- Beginning January 1, 2023, an effective internal control system will be implemented related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirement compliance requirement
- Any contract entered into which is in excess of \$2,000.00 and is for actual construction, alteration, and/or repair, including painting and decorating; and is financed in whole or part by Federal funds will require the following:
 - » A signed contract.
 - » Certification that the vendor is in compliance with the Department of Labor's (DOL) Wage Rate Requirements and related regulations.
 - » Certification that the vendor is in compliance with the Davis-Bacon Act
 - » Weekly submission of the vendor's payroll and statement of compliance for each week in which contract work was performed submitted to the Treasurer.
- Southwestern Jefferson County Consolidated School Corporation (SWJCS) will implement the following process as an effective internal control system
 - » The Treasurer will create a DocuSign Envelope containing the weekly submission of the vendor's payroll, and supporting documentation to be shared and reviewed for compliance. His/her eSignature indicates the completion of the initial review.
 - » The DocuSign Envelope will then be routed to the Deputy Treasurer for the secondary review. His/her eSignature indicates its completion.
 - » The Superintendent monitors the internal controls by confirming that both the Treasurer and Deputy Treasurer have completed their review and indicates as such via eSignatures.
 - » The Chief Financial Officer receives a carbon copy of the completed DocuSign Envelope.

Anticipated Completion Date: January 1, 2023

Board of School Trustees

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Chief Financial Officer

Laura Boldery

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Phone: 812-866-6250

Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-006

Contact Person Responsible for Corrective Action: Laura Boldery, CFO/Corporation Treasurer

Contact Phone Number: 812-866-6253 or Cell: 812-801-9070

Contact Email: laurab@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-006 includes, but is not limited to, the following:

- We will review or internal controls again and try to implement a process to ensure it is being monitored and completed.
- We will have all invoices monitored before submission. Revenue will be monitored and checked with invoices when received.

Anticipated Completion Date: February 1, 2023

Board of School Trustees

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Chief Financial Officer

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Phone: 812-866-6250
Fax: 812-866-6256



CORRECTIVE ACTION PLAN

FINDING 2022-007

Contact Person Responsible for Corrective Action: Katie King, Director of Child Nutrition

Contact Phone Number: 812-866-6254

Contact Email: kking@swjcs.us

Views of Responsible Official: We concur with this audit finding.

Description of Corrective Action Plan:

Action taken in an effort to remedy finding 2022-007 includes, but is not limited to, the following:

- Informal procurement methods (small purchase procedures) will be followed for any purchases made by, or on behalf of, the Nutrition Services Department exceeding \$10,000.00 up to \$150,000.00. Quotes from at least three qualified vendors/contractors will be required. Any purchases made on behalf of the Nutrition Services Department (for example, Maintenance contracting work for kitchen appliance repairs) will need prior approval from the Director of Child Nutrition.
- Wilson Education Center was not an approved co-op for school year, 2020-2021, but was retroactively approved to be a co-op for school year 2021-2022. Therefore, the correction has been made.

Anticipated Completion Date: February 1, 2023

Board of School Trustees

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Chief Financial Officer

Laura Boldery

239 South Main Cross Street
Hanover, Indiana 47243

Phone: 812-866-6250

Fax: 812-866-6256

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/>.