

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

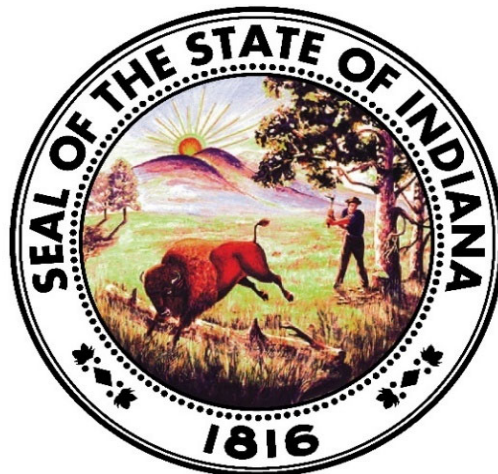
FEDERAL COMPLIANCE AUDIT REPORT

OF

FRANKLIN COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



**FILED**

03/08/2023



## 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.....	15-21
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	24
Corrective Action Plan .....	25-26
Other Reports.....	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Gross	07-01-20 to 06-30-23
Superintendent of Schools	Dr. David Clendening	07-01-20 to 06-30-23
President of the School Board	Andy Lamm Kristi Ott Becky Nelson	07-01-20 to 12-31-21 01-01-22 to 12-31-22 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 FRANKLIN COMMUNITY SCHOOL  
CORPORATION, JOHNSON 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 Franklin 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 February 23, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 23, 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 FRANKLIN COMMUNITY SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

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

***Qualified and Unmodified Opinions***

We have audited the Franklin 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.

***Qualified Opinion on COVID-19 - Education Stabilization Fund***

In our opinion, except for the noncompliance 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, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in finding item 2022-001 for the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the 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 item 2022-002. 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003, 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 23, 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 23, 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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FRANKLIN 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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2022	\$ -	\$ -	\$ -	\$ 625,513
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY2021	-	74,211	-	-
School Breakfast Program							
Total - School Breakfast Program				-	74,211	-	625,513
National School Lunch Program	Indiana Department of Education	10.555					
After School Snack Program			FY2021	-	15,319	-	-
After School Snack Program			FY2022	-	-	-	52,118
School Lunch Program			FY2022	-	-	-	2,162,769
Commodities			FY2021	-	239,769	-	-
Commodities			FY2022	-	-	-	288,866
Subtotal - National School Lunch Program				-	255,088	-	2,503,753
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
SNP Emergency Fund			FY2021	-	-	-	87,138
School Lunch Program			FY2021	-	195,941	-	-
After School Snack Program			FY2021	-	3,417	-	-
Subtotal - COVID-19 - National School Lunch Program				-	199,358	-	87,138
Total - National School Lunch Program				-	454,446	-	2,590,891
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY2021	-	1,743,303	-	-
Summer Food Service Program for Children			FY2022	-	-	-	78,066
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY2021	-	240,368	-	-
Total - Summer Food Service Program for Children				-	1,983,671	-	78,066
Total - Child Nutrition Cluster				-	2,512,328	-	3,294,470
Farm to School Grant Program	Direct Grant						
Farm to School		10.575	CN-F2S-IMPL-21-IN	-	-	-	5,206
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs				-	-	-	3,063
Total - Department of Agriculture				-	2,512,328	-	3,302,739

FRANKLIN 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
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Federal Part B 611 2019	Indiana Department of Education	84.027	19611-031-PN01	-	97	-	-
Federal Part B 611 2020			20611-031-PN01	-	281,262	-	-
Federal Part B 611 2021			21611-031-PN01	-	907,345	-	243,966
Federal Part B 611 2022			22611-031-PN01	-	-	-	990,075
Subtotal - Special Education Grant to States				-	1,188,704	-	1,234,041
COVID-19 - Special Education Grant to States							
ARP IDEA 611 2022	Indiana Department of Education	84.027	22611-031-ARP	-	-	-	69,948
Total - Special Education Grants to States				-	1,188,704	-	1,303,989
Special Education Preschool Grants							
Federal Part B 619 2019	Indiana Department of Education	84.173	19619-031-PN01	-	3	-	-
Federal Part B 619 2020			20619-031-PN01	-	7,349	-	-
Federal Part B 619 2021			21619-031-PN01	-	19,534	-	7,416
Federal Part B 619 2022			22619-031-PN01	-	-	-	22,110
Total - Special Education Preschool Grants				-	26,886	-	29,526
Total - Special Education Cluster (IDEA)				-	1,215,590	-	1,333,515
Title I Grants to Local Educational Agencies							
Title I 18/19	Indiana Department of Education	84.010	S010A180014	-	756	-	-
Title I 19/20			S010A190014	-	294,347	-	460
Title I 20/21			S010A200014	-	296,806	-	305,032
Title I 21/22			S010A210014	-	-	-	311,138
Total - Title I Grants to Local Educational Agencies				-	591,909	-	616,630
Supporting Effective Instruction State Grants							
Title II Part A/FFY 2018	Indiana Department of Education	84.367	S367A180013	-	35,826	-	2,543
Title II Part A/FFY 2019			S367A190013	-	88,238	-	57,817
Title II Part A/FFY 2020			S364A200013	-	30,098	-	113,431
Title II Part A/FFY 2021			S367A210013	-	-	-	31,922
Total - Supporting Effective Instruction State Grants				-	154,162	-	205,713

FRANKLIN 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
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY 2018			S424A180015	-	1,419	-	-
Title IV Part A FY 2019			S424A190015	-	34,152	-	2,561
Title IV Part A FY 2020			S424A200015	-	4,364	-	26,757
Title IV Part A FY 2021			S424A210015	-	-	-	6,590
Total - Student Support and Academic Enrichment Program				-	39,935	-	35,908
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Cares Act		84.425D	S425D200013	-	348,287	-	113,399
Elementary and Secondary School Relief Fund II		84.425D	S425D210013	-	-	-	1,893,190
Elementary and Secondary School Emergency Relief Fund III		84.425U	S425U200013	-	-	-	1,802,977
Elementary and Secondary School Emergency Relief - Homeless Children and Youth		84.425W	S425W210015	-	-	-	34,540
Total - COVID-19 - Education Stabilization Fund				-	348,287	-	3,844,106
Total - Department of Education				-	2,349,883	-	6,035,872
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program		93.778					
Federal Medicaid Reimbursement 20-21 - IEP	Indiana Family and Social Services		FY2021	-	164,530	-	-
Federal Medicaid Reimbursement 20-21 - MAC	Indiana Department of Education		FY2021	-	107,869	-	-
Federal Medicaid Reimbursement 21-22 - IEP	Indiana Family and Social Services		FY2022	-	-	-	181,935
Federal Medicaid Reimbursement 21-22 - MAC	Indiana Department of Education		FY2022	-	-	-	67,222
Total - Medicaid Cluster				-	272,399	-	249,157
Total - Department of Health and Human Services				-	272,399	-	249,157
<u>Department of Homeland Security</u>							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036					
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)			FY2020	-	-	-	42,220
Total - Department of Homeland Security				-	-	-	42,220
Total federal awards expended				\$ -	\$ 5,134,610	\$ -	\$ 9,629,988

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

FRANKLIN 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. Earlywood Educational Services**

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



FRANKLIN 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Special Education Cluster (IDEA) COVID-19 - Education Stabilization Fund	Unmodified 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**

No matters are reportable.

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

**FINDING 2022-001**

Subject: COVID-19 - Education Stabilization Fund - Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
 Federal Agency: Department of Education  
 Federal Program: COVID-19 - Education Stabilization Fund  
 Assistance Listings Number: 84.425U  
 Federal Award Number and Year (or Other Identifying Number): S425U200013  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
 Audit Findings: Material Weakness, Modified Opinion

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

*Condition and Context*

The School Corporation was a participating member in the Central Nine Career Center (Center). As a member, the School Corporation was responsible for providing financial contributions to support the Center's operations. In 2019, the Center's Executive Director commissioned a facilities study for purposes of addressing the increase in enrollment at the Center. Based on the results of the study, the Center's Governing Board approved an expansion project in May of 2021, with the construction costs to be split between the member schools based upon each member school's student enrollment at the Center. As a result of that calculation, the School Corporation's contribution to the Center for the construction costs was \$472,963. The School Corporation elected to use the American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) funds awarded under the COVID-19 - Education Stabilization Fund to pay this obligation to the Center in December 2021.

Although the School Corporation incurred the financial obligation within the grant's period of performance, the origins of the project predated the COVID-19 pandemic. The project's stated purpose did not provide any evidence that it was to prevent, prepare for, or respond to COVID-19. Additionally, the payment was made without proper supporting documentation. The claim for payment was prepared based upon an invoice submitted to the School Corporation from the Center that listed the amount due on a single line item without a breakdown or itemized detail to support the expense from the federal award. We consider the total payment of \$472,963 to be questioned costs.

The lack of internal controls and noncompliance was isolated to this single payment.

*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). . . ."

American Rescue Plan Act section 2001(e) states in part:

"Uses of Funds. - A local education agency that receives funds under this section - . . .

- (2) shall use the remaining funds for any of the following: . . .

- (E) Coordination of preparedness and response efforts of local education agencies with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus. . . .

- (G) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies. . . ."

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

2 CFR 200.302(b) states in part:

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

- (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, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .
- (g) be adequately documented. . . ."

*Cause*

The system of internal controls over the review of federal award expenditures developed by management of the School Corporation was not properly implemented, nor was it operating effectively to ensure expenditures were in compliance with the terms and conditions of the federal award, as well as the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

*Effect*

Without a proper system of internal controls in place that operated effectively, material non-compliance remained undetected. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funds to the School Corporation.

*Questioned Costs*

Questioned costs in the amount of \$472,963, were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls to ensure expenditures made from federal awards are in compliance with the terms and conditions of the federal award, as well as the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2022-002***

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 Numbers: 84.425D, 84.425U  
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,  
S425U200013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
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 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 did not have adequate policies or procedures to ensure that contractors were paid prevailing wage rates for contracts in excess of \$2,000 that were paid from federal grant funds. Two contracts during the audit period were subject to wage rate requirements. While the contracts for each contained the required prevailing wage rate clause, the School Corporation did not receive the certified payrolls from either contractor.

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). . . ."

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

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). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. . . ."

*Cause*

A system of internal controls had not been developed nor implemented by management of the School Corporation to ensure compliance with the federal award and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Effect*

Without a proper system of internal controls in place that operated effectively, material non-compliance remained undetected. Noncompliance with the provisions of Federal statutes, regulations, the terms and conditions of the federal award, 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.

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

*Recommendation*

We recommended that the School Corporation's management establish a proper system of internal controls to ensure compliance and comply with the terms and conditions of the federal award as well as 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.

**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: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,  
S425U200013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*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 controls 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.

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). . . ."

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

*Cause*

A system of internal controls had not been designed nor implemented by management of the School Corporation to ensure compliance with the federal award and the Reporting compliance requirement.

*Effect*

The failure to design and implement an effective system of internal could have enabled noncompliance with the federal award and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the federal award 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.

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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.



Dr. David Clendening  
Superintendent

Dr. Brooke Worland  
Assistant Superintendent

Ms. Tina Gross  
Chief Financial Officer

Mr. Matt Sprout  
Director of Technology

Mr. Jeff Sewell  
Director of Operations

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-001**

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Finding:** Corrected; audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA during the course of the 2018-20 audit. The proper internal controls were also implemented to ensure the accuracy of the SEFA information submitted into Gateway in subsequent years.

### **FINDING 2020-002**

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Finding:** Corrected by the Earlywood Governing Board who adopted the following policies on May 12, 2021

- a. 734 Cost Principles- Spending Federal Funds
- b. 735 Time And Effort Reporting
- c. 736 Procurement- Federal Grants And Funds

Administrative Guideline 736 was discussed with the Association on June 2, 2021. The guidelines included internal procedures for documenting relevant purchasing decisions on micro purchases within Skyward, our software used for our business office functions. Additionally, procedures are now included to identify when the accumulation of micro purchases for a particular vendor are approaching the definition of small purchases so that related price quotations may be obtained.

998 Grizzly Cub Drive • Franklin, Indiana 46131  
Phone: (317) 346-8700 Fax: (317) 738-5812 [www.franklinschools.org](http://www.franklinschools.org)



Dr. David Clendening  
Superintendent

Dr. Brooke Worland  
Assistant Superintendent

Ms. Tina Gross  
Chief Financial Officer

Mr. Matt Sprout  
Director of Technology

Mr. Jeff Sewell  
Director of Operations

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## CORRECTIVE ACTION PLAN

**FINDING 2022-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tina Gross

Contact Phone Number: 317-945-4327

Views of Responsible Official: We concur with this finding, but would like to offer the following explanation:

When ESSER funds first become available, there were no guidelines or restrictions that were made available. Instead, the districts were assigned swift deadlines in getting their spending plans submitted. The advice was, if you can link the request to COVID, and IDOE approves the request, then ESSER funds can be used. Months later, in an attempt to tighten things up, the school districts were presented with guidelines. This took place after all of the planning had already been done for all three grants and costs had already been incurred.

The renovation cost in question was included in our spending plan submitted to IDOE through the Title Application Center. The following narrative was also submitted with the budget to IDOE as follows:

*“We are also requesting \$472,962.87 for a renovation project at our local Career Center, Central Nine in Greenwood. Franklin High School is one of eight sending schools for this career center. These renovations will add necessary classroom and lab space for the Diesel, Welding, and Dental programs. The renovations also include meeting space and restrooms. The total cost of Franklin Community Schools’ portion of the project is estimated at \$652,400, however, we are only requesting a portion of that in ESSER III funds and will cover the difference using district funds”*

IDOE approved the budget submitted, including this specific transaction. There was no reason for the district to think that this was an unallowable transaction.

Description of Corrective Action Plan: The district is willing to transfer this expense to rainy day or operating funds if necessary.

Anticipated Completion Date: 2-22-23

**FINDING 2022-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tina Gross

Contact Phone Number: 317-945-4327

Views of Responsible Official: We concur with this finding.

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Phone: (317) 346-8700 Fax: (317) 738-5812 www.franklinschools.org

Description of Corrective Action Plan:

In previous years, we have relied on our architects, who have designed and managed our construction and renovation projects, to ensure all federal requirements had been met. It was assumed that if the architect presented a pay application from the contractor, that the architect confirmed the work had been done and that the Davis-Bacon Act requirements had been met. It should be noted that the district was able to present supporting documents that showed the wages were in compliance with the Davis-Bacon Act, as a result of the auditor's inquiry. Although we suspect the review had been done, it was not properly documented for the district to be able to present evidence of a review to the auditors.

For future federally funded projects, the Chief Financial Officer (CFO) will require that any payroll documents associated with that pay application be submitted as supporting documentation. The CFO will confirm compliance with the Davis-Bacon Act by comparing the payroll records to the wage rates required for the project. Once compliance has been confirmed, the CFO will submit the paperwork required for the board to approve the payment earned by the contractor.

Anticipated Completion Date: 2-22-23

**FINDING 2022-003** (Auditor Assigned Reference Number)  
Contact Person Responsible for Corrective Action: Tina Gross  
Contact Phone Number: 317-346-8749

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The district will implement an additional review of reports submitted for federal grants, and document that review of any final submission.

Anticipated Completion Date: 2-23-23

## 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/>.