

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

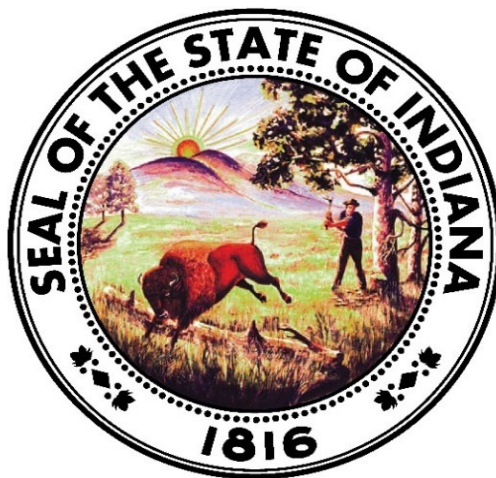
FEDERAL COMPLIANCE AUDIT REPORT

OF

WEST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/29/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-20
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-25
Corrective Action Plan	26-30
Other Reports.....	31

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara Fought	07-01-20 to 06-30-23
Superintendent of Schools	Galen Mast Dr. Randall Zimmerly (interim)	07-01-20 to 12-12-22 12-13-22 to 03-20-23
President of the School Board	Travis Stohlman Joe Hutsell	07-01-20 to 12-31-20 01-01-21 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 WEST NOBLE SCHOOL CORPORATION, NOBLE 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 West Noble 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 March 20, 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, as 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 items 2022-001 and 2022-002.

West Noble 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

March 20, 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 WEST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the West Noble 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 the Special Education Cluster (IDEA)

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 Special Education Cluster (IDEA) 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 the Special Education Cluster (IDEA)

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 Special Education Cluster (IDEA), as described in item 2022-004 for Matching, Level of Effort, Earmarking. 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

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 2022-003 and 2022-004, 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 March 20, 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

March 20, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2022	\$ -	\$ -	\$ -	\$ 290,473
School Breakfast							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY2021	-	3,786	-	-
School Breakfast							
Total - School Breakfast Program				-	3,786	-	290,473
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555	FY2022	-	-	-	969,326
Commodities			FY2021	-	125,540	-	-
Commodities			FY2022	-	-	-	150,821
Subtotal - National School Lunch Program				-	125,540	-	1,120,147
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY2021	-	22,249	-	-
School Lunch			FY2022	-	-	-	16,377
SNP Emergency Funds							
Total - National School Lunch Program				-	147,789	-	1,136,524
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559	FY2021	-	874,735	-	-
Summer Food Service			FY2022	-	-	-	30,160
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2021	-	125,206	-	-
Summer Food Service							
Total - Summer Food Service Program for Children				-	999,941	-	30,160
Total - Child Nutrition Cluster				-	1,151,516	-	1,457,157
COVID-19 - Pandemic EBT Administrative Costs							
Pandemic EBT	Indiana Department of Education	10.649	FY2022	-	-	-	3,063
Total - Department of Agriculture				-	1,151,516	-	1,460,220
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Federal Part B 611 2020			20611-042-PN01	-	42,979	-	-
Federal Part B 611 2021			21611-042-PN01	-	516,475	-	10,493
Federal Part B 611 2022			22611-042-PN01	-	-	-	502,797
Total - Special Education Grants to States				-	559,454	-	513,290
Special Education Preschool Grants							
Federal Part B 619 2021	Indiana Department of Education	84.173	21619-042-PN01	-	17,434	-	-
Federal Part B 619 2022			22619-042-PN01	-	-	-	17,694
Total - Special Education Preschool Grants				-	17,434	-	17,694
Total - Special Education Cluster (IDEA)				-	576,888	-	530,984

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 19/20			S0101A190014	-	163,978	-	144
Title I 20/21			S0101A200014	-	218,469	-	107,573
Title I 21/22			S0101A210014	-	-	-	255,323
Total - Title I Grants to Local Educational Agencies				-	382,447	-	363,040
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Ltd. Eng Prof 2018-20			S365A180014	-	18,601	-	-
Title III Ltd. Eng Prof 2019-21			S365A190014	-	53,213	-	8,538
Total - English Language Acquisition State Grants				-	71,814	-	8,538
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A/FFY 2018			S367A180013	-	13,794	-	-
Title II Part A/FFY 2019			S367A190013	-	58,226	-	-
Title II Part A/FFY 2020			S367A200013	-	-	-	64,878
Total - Supporting Effective Instruction State Grants				-	72,020	-	64,878
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY 2019			S424A190015	-	407	-	48,266
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D200013	-	310,770	-	-
Elementary and Secondary School Emergency Relief Fund II		84.425D	S425D210013	-	-	-	97,321
Total - COVID-19 - Education Stabilization Fund				-	310,770	-	97,321
Total - Department of Education				-	1,414,346	-	1,113,027
Department of Health and Human Services							
Medicaid Cluster	Indiana Department of Education	93.778					
Medical Assistance Program							
Medicaid Reimbursement - MAC			FY2021	-	8,276	-	-
Medicaid Reimbursement - MAC			FY2022	-	-	-	5,140
Total - Medical Assistance Program				-	8,276	-	5,140
Total - Medicaid Cluster				-	8,276	-	5,140
Total - Department of Health and Human Services				-	8,276	-	5,140
Total federal awards expended				\$ -	\$ 2,574,138	\$ -	\$ 2,578,387

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

WEST NOBLE 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. Northeast Indiana Special Education Cooperative

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

Note 4. West Noble Consortium

The School Corporation is a member of the West Noble Consortium and serves as the fiscal agent. As a result, some of the activity for the English Language Acquisition State Grants (Title III) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations as appropriate.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Qualified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2022-001

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

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments.

The School Corporation did not establish internal controls over cash and investments, including the completion of depository reconciliations of the bank account balances to the fund balances. Reconciliations provided for audit were generated from the accounting system; however, the reconciled cash accounts in the system did not materially agree with the fund balances. As of June 30, 2021, and June 30, 2022, there was an unidentified difference between the reconciled bank account balances and the financial statement fund balances of \$26,057, and \$58,821, respectively.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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

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

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

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

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

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

Management remediates identified issues. . . ."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management had not established a proper system of internal controls that segregated key functions and would have ensured proper posting of financial transactions and proper financial reporting.

Effect

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

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not 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 contained the following errors:

1. The School Breakfast Program expenditures were omitted which understated expenditures by \$3,786 and \$290,473, for the fiscal years 2020-2021 and 2021-2022, respectively.
2. The National School Lunch Program expenditures were overstated by \$1,003,727 and \$357,448, for 2020-2021 and 2021-2022, respectively.
3. The Summer Food Service Program for Children expenditures were omitted, which understated expenditures by \$999,941 and \$30,160, for 2020-2021 and 2021-2022, respectively.
4. The COVID-19 - Pandemic EBT Administrative Costs expenditures were omitted, which understated expenditures by \$3,063, for 2021-2022.
5. Several additional grants had individually immaterial errors, or omissions that resulted in a combined misstatement of \$96,584, in total.
6. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

WEST NOBLE 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2021, FY2022

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Finding: Material Weakness

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation could not provide documented evidence that quotes received by the Maintenance department were reviewed and approved by a person knowledgeable of the procedures for small purchases.

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 designed nor implemented a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-004

Subject: Special Education Cluster (IDEA) - Earmarking
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): 20611-042-PN01, 21611-042-PN01,
21619-042-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness; Modified Opinion

Condition and Context

The School Corporation is a member of the Northeast Indiana Special Education Cooperative (Cooperative). During fiscal year 2021-2022, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for non-public students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

The Non-Public Proportionate Share expenditures for 20611-042-PN01, 21611-042-PN01, 21619-042-PN01 grant awards could not be verified for the individual schools to verify the minimum amount per the grant awards was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance were isolated to the 20611-042-PN01, 21611-042-PN01, 21619-042-PN01 grant awards.

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). . . ."

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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: . . .

(g) Be adequately documented. . . ."

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system, as well as adequately document costs of federal awards, prevented the determination of the School Corporation's compliance with the earmarking requirements of the Matching, Level of Effort, Earmarking 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, as well as appropriately document and identify federal award expenditures to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
Joe Saggars, Vice President
John Schwartz, Secretary
Jeremy Brown, Member
Paul Fought, Member
Parrish Kruger, Member
Travis Stohlman, Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-001

Fiscal year in which the finding initially occurred: 2017-18

Status of Finding:

The Finding has been corrected. The Director of Food Service and her designee verifies reviews and signs free/reduced applications.

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
Joe Saggars, Vice President
John Schwartz, Secretary
Jeremy Brown, Member
Paul Fought, Member
Parrish Kruger, Member
Travis Stohlman, Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-002

Fiscal year in which the finding initially occurred: 2019-20

Status of Finding:

The Finding has been corrected. The Food Service Director is printing the necessary supporting paperwork for the transfers from Fund 8400 Pre-Paid to Fund 0800 School Lunch.

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
Joe Saggars, Vice President
John Schwartz, Secretary
Jeremy Brown, Member
Paul Fought, Member
Parrish Kruger, Member
Travis Stohlman, Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-003

Fiscal year in which the finding initially occurred: 2019-20

Status of Finding:

The Finding has been corrected. The Food Service Director has received training on the Internal Control for the PLE.

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
Joe Saggars, Vice President
John Schwartz, Secretary
Jeremy Brown, Member
Paul Fought, Member
Parrish Kruger, Member
Travis Stohlman, Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-004

Fiscal year in which the finding initially occurred: 2016-17

Status of Finding:

There are still issues with proportionate share / nonpublic earmarking. West Noble will continue to work with Northeast Indiana Special Education Cooperative to make sure that issues with Earmarking are corrected moving forward from 7/1/2023.

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
John Schwartz, Vice President
David Peterson, Secretary
Paul Fought, Member
Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Barbara Fought
Contact Phone Number: 260-894-3191

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The financial software that West Noble School Corporation uses, PowerSchool eFinanceplus, does allow the reconciliation of the bank account statement against the General Ledger. Prior to the audit being concluded, 2 of the 3 accounts have been reconciled with the General Ledger.

Anticipated Completion Date: May 31, 2023

West Noble School Corporation

DR. RANDALL ZIMMERLY, Interim Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
John Schwartz, Vice President
David Peterson, Secretary
Paul Fought, Member
Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Barbara Fought
Contact Phone Number: 260-894-3191

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director and Title I Director will review the information to be entered on the SEFA report and review the information before the SEFA report is submitted.

Anticipated Completion Date: September 30, 2023

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
Joe Saggars, Vice President
John Schwartz, Secretary
Paul Fought, Member
Parrish Kruger, Member
Jeremy Brown, Member
Travis Stohlman, Member

CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Barbara Fought
Contact Phone Number: 260-260-3191

Views of Responsible Official: We concur with the finding.

Finding 2022-003 was corrected in January 2023. The Food Service Director and Maintenance Department met to discuss how federal purchases are to be made when repairs to kitchen are needed. Maintenance will secure at 3 quotes and share those quotes with the Food Service Director. The Food Service Director will send the selected quote back to Maintenance for ordering. Since implemented in January, repairs for the kitchens have been very smooth and seamless.

Anticipated Completion Date: March 31, 2023

West Noble School Corporation

DR. RANDALL ZIMMERLY, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
John Schwartz, Vice President
David Peterson, Secretary
Paul Fought, Member
Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: Barbara Fought
Contact Phone Number: 260-260-3191

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

West Noble School Corporation will work with the Northeast Indiana Special Education Cooperative to implement the procedures detailed below.

The Northeast Indiana Special Education Cooperative (NEISEC) Treasurer will reach out to member schools during the writing process of the IDEA 611 and 619 grants in order for each member school to submit their plans for their allocation of proportionate share money.

NEISEC will provide the allocation amounts to each cooperative school. These submissions will include a proportionate share budget and include proportionate share staff names and any necessary information for the budget categories. The NEISEC Treasurer will then compile the proportionate share information and include on the grant submission.

The LEA Treasurer will be given a copy of the grant application and budget upon approval of the grant. Any NEISEC employee being paid out of proportionate share grant funds for salary and benefits will be paid from the fiscal agent's financial software. The LEA Treasurer will keep a spreadsheet of employee proportionate share expenses and this spreadsheet will be updated monthly based on time and effort logs that are submitted by all cooperative schools to the LEA and NEISEC.

Any employee utilizing proportionate share funds that is not an employee of NEISEC, but rather a direct employee of a member school, will be paid directly by that member school. Time and effort logs will still be submitted to the LEA and NEISEC Treasurers for these employees in order to generate a direct reimbursement from the grant fund to the member school.

For any expenses for a category outside of salary and benefits, a member school will need to submit an invoice and proof of purchase for equipment, supplies, etc. to NEISEC and the LEA in order to be directly reimbursed for those proportionate share expenses. If the request was not in the initial grant budget, the member school must submit all relevant information to NEISEC in order for a grant modification to be completed. Per IDOE the grant modification must be approved first prior to purchasing the items. Time and effort logs as well as invoice and proof of payment must be sent to the LEA Treasurer and NEISEC in order to complete the grant reimbursement requests.

TELEPHONE (260) 894-3191 - 5050 N US HIGHWAY 33 - LIGONIER, IN 46767-9606 - FAX (260) 894-3260 - 1-800-488-3191 - WNSC@WESTNOBLE.K12.IN.US

At the end of the grant period, any school with remaining proportionate share money will be required to complete a waiver. As of this date (2/10/2023) DeKalb County Eastern CSD and NEISEC are still in communication with SBOA and IDOE to review the proportionate share plan and ensure all necessary requirements will be satisfied.

Anticipated Completion Date: Changes discussed above will be implemented for the remainder of the FY23 grant period starting 07/01/2023.

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/>.