

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 2

SCOTT COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/29/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christy C. Corum Casey Brewster Casey Cheatham	07-01-20 to 06-28-21 06-29-21 to 01-09-23 01-10-23 to 06-30-23
Superintendent of Schools	Dr. Marc Slaton	07-01-20 to 06-30-23
President of the School Board	Josh Mays Jennifer Craig Andrea Soloe	07-01-20 to 12-31-20 01-01-21 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 SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT 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 Scott County School District 2 (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 16, 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.

Scott County School District 2'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 16, 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 SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Adverse, Disclaimed and Qualified Opinions

We have audited Scott County School District 2'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 the Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and COVID-19 - Education Stabilization Fund, for the period July 1, 2020 to June 30, 2022; and we were engaged to audit the School Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* 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. 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 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Adverse and Qualified 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 Child Nutrition Cluster for the period of July 1, 2020 to June 30, 2022.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Adverse and Qualified 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 Title I Grants to Local Educational Agencies for the period of July 1, 2020 to June 30, 2022.

Adverse Opinion on COVID-19 - Education Stabilization Fund

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Qualified Opinions* section of our report, the School Corporation did not comply 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.

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)

Disclaimer of Opinion on Special Education Cluster (IDEA)

We do not express an opinion on the School Corporation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Special Education Cluster (IDEA). Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on Special Education Cluster (IDEA)* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Special Education Cluster (IDEA).

Basis for Adverse and Qualified 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 qualified and adverse opinions 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.

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in item 2022-004 for Procurement, Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.010, Title I Grants to Local Educational Agencies, as described in items 2022-005, 2022-006, and 2022-007 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Reporting, and Eligibility. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Adverse 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 items 2022-013, 2022-014, and 2022-016 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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)

Basis for Disclaimer of Opinion on Special Education Cluster (IDEA)

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain audit evidence supporting the compliance of the School Corporation with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Cash Management, and Reporting applicable to the Special Education Cluster (IDEA), as described in items 2022-010 and 2022-011. As a result of these matters, we were unable to determine whether the School Corporation complied with the requirements applicable to the Special Education Cluster (IDEA).

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

Auditor's Responsibilities for the Audit of Compliance for Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and COVID-19 - Education Stabilization Fund

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.

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)

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.

Auditor's Responsibilities for the Audit of Compliance For Special Education Cluster (IDEA)

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion on Special Education Cluster (IDEA)* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-008, 2022-012, and 2022-015. 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 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, 2022-011, 2022-012, 2022-013, 2022-014, 2022-015, and 2022-016, 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.

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)

Our audit of the Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and COVID-19 - Education Stabilization Fund 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.

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 16, 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 16, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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SCOTT COUNTY SCHOOL DISTRICT 2
 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							
COVID-19 - School Breakfast Program School Breakfast Program	Indiana Department of Education	10.553	FY 2021	\$ -	\$ 36,292	\$ -	\$ -
School Breakfast Program School Breakfast Program School Breakfast Program	Indiana Department of Education	10.553	FY 2021 FY 2022	- -	199,694 -	- -	- 348,509
Total - School Breakfast Program				-	235,986	-	348,509
COVID-19 - National School Lunch Program COVID-19 School Lunch Program	Indiana Department of Education	10.555	FY 2021	-	122,952	-	-
National School Lunch Program School Lunch Program School Lunch Program Commodities Commodities	Indiana Department of Education	10.555	FY 2021 FY 2022 FY 2021 FY 2022	- - - -	577,771 - 128,394 -	- - - -	- 1,195,960 - 158,805
Total - National School Lunch Program				-	829,117	-	1,354,765
COVID-19 - Summer Food Service Program for Children Summer Food Program	Indiana Department of Education	10.559	FY 2021	-	98,400	-	-
Summer Food Service Program for Children Summer Food Program Summer Food Program	Indiana Department of Education	10.559	FY 2021 FY 2022	- -	1,334 -	- -	- 115,185
Total - Summer Food Service Program for Children				-	99,734	-	115,185
Child Nutrition Discretionary Grants Limited Availability Equipment Assistance	Indiana Department of Education	10.579	FY 2021	-	12,466	-	-
Total - Child Nutrition Cluster				-	1,177,303	-	1,818,459
Child Nutrition Discretionary Grants Limited Availability Equipment Assistance	Indiana Department of Education	10.579	FY 2022	-	-	-	8,690
Total - Child Nutrition Discretionary Grants Limited Availability				-	-	-	8,690
Pandemic EBT Administrative Costs P-EBT Administrative Costs	Indiana Department of Education	10.649	212IN120S9009	-	-	-	3,063
Total - Department of Agriculture				-	1,177,303	-	1,830,212

SCOTT COUNTY SCHOOL DISTRICT 2
 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 Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B			21611-138-PN01	-	643,609	-	-
Special Education Part B			22611-138-PN01	-	-	-	472,800
Total - Special Education Grants to States				-	643,609	-	472,800
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool			21619-138-PN01	-	35,011	-	-
Total - Special Education Preschool Grants				-	35,011	-	-
Total - Special Education Cluster (IDEA)				-	678,620	-	472,800
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY 20			S010A190014	-	281,742	-	-
Title I FY 21			S010A200014	-	243,638	-	209,430
Title I FY 22			S010A210014	-	-	-	346,698
Total - Title I Grants to Local Educational Agencies				-	525,380	-	556,128
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income Schools			S358B180014	-	36,737	-	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A			S367A180013	-	55,045	-	-
Title II Part A			S367A190013	-	38,768	-	62,499
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	93,813	-	62,499
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A180015	-	1,813	-	-
Title IV Part A			S424A190015	-	1,916	-	-
Title IV Part A			S424A200015	-	22,544	-	-
Total - Student Support and Academic Enrichment Program				-	26,273	-	-

SCOTT COUNTY SCHOOL DISTRICT 2
 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
COVID-19 - Education Stabilization Fund	Indiana Dept of Education	84.425					
ESSER I		84.425D	S425D200013	-	516,745	-	-
ESSER II		84.425D	S425D210013	-	61,881	-	1,506,784
ESSER III		84.425U	S425U210013	-	-	-	3,374,022
Total - COVID-19 - Education Stabilization Fund				-	578,626	-	4,880,806
Total - Department of Education				-	1,939,449	-	5,972,233
<u>Corporation for National and Community Service</u>							
AmeriCorps State and National 94.006	Indiana Department of Workforce Development	94.006					
AmeriCorps			5102020P17CNSFO	-	151,960	-	80,011
AmeriCorps			5102020P21CNSFO	-	-	-	125,544
Total - AmeriCorps State and National 94.006				-	151,960	-	205,555
Total - Corporation for National and Community Service				-	151,960	-	205,555
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medical Reimbursement Federal - IEP			FY 2021	-	87,163	-	-
Medical Reimbursement Federal - IEP			FY 2022	-	-	-	119,430
Total - Medical Assistance Program				-	87,163	-	119,430
Total - Medicaid Cluster				-	87,163	-	119,430
Total - Department of Health and Human Services				-	87,163	-	119,430
Total federal awards expended				\$ -	\$ 3,355,875	\$ -	\$ 8,127,430

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

SCOTT COUNTY SCHOOL DISTRICT 2
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.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Qualified
84.425	Special Education Cluster (IDEA) COVID-19 - Education Stabilization Fund	Disclaimer Adverse

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2022-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not established an adequate system of internal controls related to financial transactions and reporting. Internal controls were either not in place or not effective for the following audit areas: cash and investments, receipts, disbursements, other sources and uses of funds, and financial close and reporting.

Cash and Investments

The School Corporation had not established internal controls over cash and investments. For the first 14 months of the audit period, there was no evidence provided for audit that an oversight, review, or approval process was performed by a second knowledgeable person to ensure the completeness and accuracy of the monthly cash reconciliations. As a result, the following errors were noted:

1. Monthly reconciliations of the depository account balance with the record balance were not performed in a timely manner. Reconciliations for 13 of the 24 months were completed more than 60 days after month end. In addition, reconciliations for 4 of the 24 months were not presented for audit. In December 2020, an outside accounting firm was engaged to assist in performing the bank reconciliations, which had not been completed from December 2018 through November 2020.
2. Posting errors and other variances identified on the monthly reconciliations were not investigated and resolved in a timely manner. The June 30, 2021 bank reconciliation included \$220,990 of reconciling items titled "Manual Adjustments," which consisted of 82 unreconciled variance items that had accumulated from the previous 7 months.

Receipts

The School Corporation had not established internal controls over receipts including segregation of duties. The same individual that performed the monthly bank reconciliations also issued the receipts for electronic payments and for mail in collections received without a proper oversight, review, or approval process to ensure all receipts had been posted and classified correctly. As a result, the following errors were noted:

1. During fiscal year 2021-2022, the School Corporation received \$4.4 million dollars for the sale of real estate to the Scott County School District 2 Middle School Building Corporation as part of the lease agreement with them. The proceeds from the sale were incorrectly classified as bond proceeds in the financial statement instead sale of capital assets.
2. Receipt transactions were not recorded to the financial records in a timely manner. Four distributions from the Auditor of State totaling \$615,420 were recorded to the financial records 15 to 71 days after the funds were received via electronic deposit. In addition, a receipt associated with debt issuance totaling \$22,388 was receipted 30 days after the funds were received.
3. During 2021-2022, payroll withholdings in the amount of \$63,522 were not recorded to the proper funds.
4. Journal entries were recorded to correct transactions without documentation to support the correction being made and without a review and approval of the transaction.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Disbursements

The School Corporation had not established internal controls over disbursements including segregation of duties. The same individual that performed the monthly bank reconciliations also issued the receipts as noted above and created the purchase orders, entered the invoices into the accounting software, posted payments, and issued checks without a proper oversight, review, or approval process to ensure all disbursements had been properly approved and recorded. As a result, the following errors were noted:

1. Not all disbursements were reviewed and approved prior to payment being made. Accounts Payable Voucher Registers certifying claims had been audited and were approved for payment were signed after the disbursements had been made. In addition, accounts payable vouchers were not completed for all invoices which documented the receipt of goods or services, approval to pay, and review of the proper fund and account for recording of the transactions.
2. The payroll withholding subsidiary ledger was not reconciled to the control fund balance and as a result payments for payroll withholdings were not being monitored and reviewed to ensure proper amounts were paid.
3. Disbursements were not recorded in the proper accounting period. ACH disbursements made in July and August 2021 (2021-2022) in the amount of \$330,675 were incorrectly posted to the financial records in June 2021 (2020-2021). In addition, disbursements in the amount of \$90,014 made in July and August 2022 (2022-2023) were incorrectly posted in June 2022 (2021-2022).
4. Journal entries were recorded to correct transactions without documentation to support the correction being made and without a review and approval of the transaction.

Other Sources and Uses of Funds

The School Corporation had not established internal controls over the transfer of funds. Transfers were made between funds without documentation to support the reason for the transfers. In addition, the transfers were not always approved by the School Board. As a result, the following errors were noted:

1. Transfers were made between 32 funds totaling \$3,414,004 to correct posting errors and deficit funds balances from prior years without supporting documentation.
2. During 2021-2022, a \$2,000,000 transfer from the ESSER III fund to the Operations fund was made with no supporting documentation or approval by the School Board.
3. Four of seven additional transfers selected for testing lacked documentation of approval by the School Board.

Financial Close and Reporting - Monthly

The School Corporation had not established internal controls over monthly financial close and reporting. Monthly reports were not provided to the School Board and other School Officials as needed for review and approval to ensure the financial activities for the month were accurate and complete.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Monthly financial reports were not provided to the members of the School Board for 11 months of 2020-2021 and for 4 months of 2021-2022.
2. For 8 months of 2021-2022, the financial information provided to the School Board consisted only of a summary of the financial activity for some of the School Corporation's funds. The financial reports did not include any budget or year to date information nor any of the financial activity for three of the School Corporation's four major federal programs.
3. There was no evidence that any type of financial or budget reports were provided to the grant program administrators which would enable them to monitor budgetary compliance and also assist in identifying errors.

Financial Close and Reporting - Annual

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

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

Due to the lack of internal controls, the financial statement presented for audit included the following errors:

1. Six funds were omitted from the financial statement for 2020-2021 and 2021-2022.
2. Not all the amounts reported for the beginning cash and investments balances for the individual funds were correct. As a result, beginning cash and investments balances were overstated by \$4,088,979 and \$6,974,540, for 2020-2021 and 2021-2022, respectively.
3. Not all amounts reported as receipts for the individual funds were correct. As a result, receipts were understated by \$10,840,205 and \$11,573,069, for 2020-2021 and 2021-2022, respectively.
4. Not all amounts reported as disbursements for the individual funds were correct for 2020-2021 and 2021-2022. As a result, disbursements were understated by \$14,104,638 and \$12,747,354, for 2020-2021 and 2021-2022, respectively.
5. Not all the amounts reported for the ending cash and investments balances for the individual funds were correct. As a result, ending cash and investments balances were overstated by \$7,353,411 and \$8,148,830, for 2020-2021 and 2021-2022, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

SCOTT COUNTY SCHOOL DISTRICT 2
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 Environment

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

Risk Assessment

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

Control Activities

"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. . . .

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Information and Communication

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

Monitoring Activities

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

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

Management remediates identified issues. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management had not established a proper system of internal controls. An evaluation of the School Corporation's system of internal controls had not been conducted. Management had not conducted a risk assessment related to the School Corporation's financial reporting and transactions.

Effect

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

Views of Responsible Officials

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

FINDING 2022-002

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

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

Condition and Context

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

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. No evidence was presented for audit indicating someone other than the person preparing and entering the grant information into Gateway reviewed the information for completeness and accuracy in order to detect and correct errors prior to submission.

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

1. The Child Nutrition Cluster expenditures were overstated by \$169,126 for 2020-2021 and understated by \$743,574 for 2021-2022.
2. The COVID-19 - Education Stabilization Fund expenditures were understated by \$578,626 for 2020-2021 and overstated by \$209,490 for 2021-2022.
3. Ten federal grants had individually immaterial errors for 2020-2021 that resulted in misstatements of expenditures of \$385,522, in total. Six federal grants had individually immaterial errors for 2021-2022, that resulted in misstatements of expenditures of \$262,269, in total.
4. Other error 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:

"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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 section § 200.510. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2021, FY 2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was a member of the Food2School Cooperative which procured food and supply items on behalf of the member schools. The School Corporation did not have internal controls in place to ensure that the amount charged per item agreed to the approved price lists.

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2022-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2021, FY 2022

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-012.

Condition and Context

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

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The School Corporation did not have internal controls in place to ensure the purchasing method used complied with federal and state requirements. The School Corporation did not obtain price or rate quotes for two vendors tested that were less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. The micro-purchase threshold may be increased, but the School Corporation did not provide documentation that the threshold had been increased. The School Corporation did not obtain a contract for these two vendors as required by Indiana Code for purchases between \$50,000 and \$150,000. Additionally, documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit for both purchases made using the small purchases and micro-purchases procurement methods.

Suspension and Debarment

There were no internal controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors paid with federal grant monies were not suspended or debarred from participation in federal programs before entering into a covered transaction.

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:

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.318 states in part:

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

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

2 CFR 200.320 (Uniform Guidance) states in part:

"The non-Federal Entity must use one of the following methods of procurement. . . .

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

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

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

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

(2) *Small purchases -*

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 180.300 states:

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

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

Cause

Management had not developed a system of internal 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 system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2022-005

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective system of internal controls was not designed nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit. The School Corporation was unable to provide supporting documentation for one of five of the journal entries tested. For the one journal entry, we were unable to determine if the Title I fund transfers in, totaling \$13,434, and transfers out, totaling \$95,115, were for allowable activities and costs for the program.

The lack of effective internal controls and the failure to retain supporting documentation was isolated to the transfers noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 (Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass through entity in the case of a subrecipient. . . ."

2 CFR 200.334 (Revised Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

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:

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . .
- (g) Be adequately documented. . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the grant agreements and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with compliance requirements listed above.

Questioned Costs

Known questioned costs of \$108,549 were identified, as detailed in *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and 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.

FINDING 2022-006

Subject: Title I Grants to Local Educational Agencies - Cash Management and Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014

Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding related to Reporting from the immediately prior audit report. The prior audit finding number was 2020-007.

SCOTT COUNTY SCHOOL DISTRICT 2
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 the requirements related to the grant agreement and the Cash Management and the Reporting compliance requirements.

The School Corporation filed the required special reports with the Indiana Department of Education; however, none of the reports were supported by the School Corporation's records. Although the Title I Director reviewed the requests for reimbursement and the Final Expenditure Reports, the reviews did not ensure that the reports agreed to the School Corporation's financial records. The 2019-2020 and 2020-2021 Final Expenditure Reports and the four reimbursement requests tested could not be traced to the School Corporation's records.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 (Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass through entity in the case of a subrecipient. . . ."

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.302(b) (Uniform Guidance) states in part: . . .

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting. . . .
- (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

2 CFR 200.302(b) (Revised Uniform Guidance) states in part:

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

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

2 CFR 200.305(b) (Uniform Guidance) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

2 CFR 200.305(b) (Revised Uniform Guidance) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance with requirements related to the Cash Management and the Reporting compliance requirements.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Cash Management and the Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2022-007

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit. Summary data of nonpublic enrollment and poverty was verbally provided to the School Corporation by the participating nonpublic school. The summary data should have been accompanied by a list of students and their poverty (socioeconomic) status as supporting documentation. The School Corporation did not retain the supporting documentation for 2020-2021 and 2021-2022 for the nonpublic school enrollment and poverty data.

The lack of internal controls, the failure to retain supporting documentation for nonpublic enrollment and poverty figures, and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.333 (Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.334 (Revised Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 200.78(a)(1) states:

"After reserving funds, as applicable, under § 200.77, including funds for equitable services for private school students, their teachers, and their families, an LEA must allocate funds under this subpart to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of public school children from low-income families in each area or school."

Cause

Management had not established a system of internal controls that would have ensured compliance, or that supporting documentation would have been retained and made available for audit, related to the Eligibility compliance requirement.

Effect

The failure to establish a system of internal controls and retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2022-008

Subject: Title I Grants to Local Educational Agencies - Earmarking

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-008.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Officials of the School Corporation were unaware that the earmarking requirement for Parental Involvement was a mandatory spending requirement. Therefore, there were no internal controls in place related to this requirement nor was the required amounts spent for parental involvement.

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). . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.400 states in part:

". . . (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. . . ."

2 CFR 200.207 (Uniform Guidance) states in part: "The Federal Awarding Agency or pass-through entity may impose additional specific award conditions as needed . . ."

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and 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.

FINDING 2022-009

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding related to the Special Tests and Provisions - Participation of Private School Children from the immediately prior audit report. The prior audit finding number was 2020-005.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

The Title I Director of the School Corporation did not review and approve all expenditures for the participation of private school children. Of the seven accounts payable vouchers observed, three did not have evidence of review or approval by the Title I Director.

The lack of effective 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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Effect

The failure to establish an effective system of internal controls placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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 Special Tests and Provisions - Participation of Private School Children compliance requirement.

SCOTT COUNTY SCHOOL DISTRICT 2
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 2022-010

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Period of Performance

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 21611-138-PN01, 21619-138-PN01,
22611-138-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Period of Performance

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit. The School Corporation was unable to provide supporting documentation for one of the two journal entries tested. For the one journal entry, we were unable to determine if the Special Education fund transfers in, totaling \$619,180, and transfers out, totaling \$554,684, were for allowable activities and costs for the program. In addition, we were unable to determine if the transfers were for transactions that occurred within the period of performance.

The lack of internal controls and the failure to retain supporting documentation was isolated to the transfers noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.333 (Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass through entity in the case of a subrecipient. . . ."

2 CFR 200.334 (Revised Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act -

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

34 CFR 300.208 states:

"(a) *Uses.* Notwithstanding §§ 300.202, 300.203(b), and 300.162(b), funds provided to an LEA under Part B of the Act may be used for the following activities:

- (1) *Services and aids that also benefit nondisabled children.* For the costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.
- (2) *Early intervening services.* To develop and implement coordinated, early intervening educational services in accordance with § 300.226.
- (3) *High cost special education and related services.* To establish and implement cost or risk sharing funds, consortia, or cooperatives for the LEA itself, or for LEAs working in a consortium of which the LEA is a part, to pay for high cost special education and related services.

(b) *Administrative case management.* An LEA may use funds received under Part B of the Act to purchase appropriate technology for recordkeeping, data collection, and related case management activities of teachers and related services personnel providing services described in the IEP of children with disabilities, that is needed for the implementation of those case management activities."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 300.800 states:

"The Secretary provides grants under section 619 of the Act to assist States to provide special education and related services in accordance with Part B of the Act –

- (a) To children with disabilities aged three through five years; and
- (b) At a State's discretion, to two-year-old children with disabilities who will turn three during the school year."

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.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . .
- (g) Be adequately documented. . . ."

2 CFR 200.77 (Uniform Guidance) states:

"*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§ 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv))."

2 CFR 200.1 (Revised Uniform Guidance) states in part:

". . . *Period of performance* means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. Identification of the period of performance in the Federal award per § 200.211(b)(5) does not commit the awarding agency to fund the award beyond the currently approved budget period. . . ."

2 CFR 200.309 (Uniform Guidance) states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

2CFR 200.309 (Revised Uniform Guidance) states:

"If a Federal awarding agency or pass-through entity approves an extension, or if a recipient extends under § 200.308(e)(2), the Period of Performance will be amended to end at the completion of the extension. If a termination occurs, the Period of Performance will be amended to end upon the effective date of termination. If a renewal award is issued, a distinct Period of Performance will begin."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed nor implemented a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with compliance requirements listed above.

Questioned Costs

Known questioned costs of \$1,173,864 were identified, as detailed in *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure documentation will be maintained and made available for audit and comply with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Period of Performance compliance requirements.

Views of Responsible Officials

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

FINDING 2022-011

Subject: Special Education Cluster (IDEA) - Cash Management, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 21611-138-PN01, 21619-138-PN01,
22611-138-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit. The School Corporation was unable to provide supporting documentation for 12 of the 15 reimbursement requests tested. Due to the lack of documentation, we were unable to verify the amounts reported on the reimbursement requests to the School Corporation's records. In addition, we were unable to determine if program funds were expended prior to requesting reimbursement.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and failure to retain supporting documentation were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 (Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass through entity in the case of a subrecipient. . . ."

2 CFR 200.334 (Revised Uniform Guidance) states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.305(b) (Uniform Guidance) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

2 CFR 200.305(b) (Revised Uniform Guidance) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. . . ."

2 CFR 200.302(b) (Uniform Guidance) states in part:

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

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

2 CFR 200.302(b) (Revised Uniform Guidance) states in part:

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

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

Cause

Management had not developed nor implemented a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, with the grant agreement and the Cash Management and the Reporting compliance requirements.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure documentation will be maintained and made available for audit and comply with the grant agreement and the Cash Management and the Reporting compliance requirements.

Views of Responsible Officials

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-012

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): 21611-138-PN01, 21619-138-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-004.

Condition and Context

An effective internal control system was not designed nor implemented at the School Corporation to ensure compliance with requirements related the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have effective internal controls in place to ensure that non-public school expenditures were appropriately identified and reported. The School Corporation requested the minimum nonpublic proportionate share amount of \$2,239 from grant award 21611-138-PN01 and \$507 from grant award 21619-138-PN01; however, we were unable to identify if the minimum amount per the grant awards was expended and properly reported to the Indiana Department of Education as required.

The lack of internal controls and noncompliance was isolated to the 21611-138-PN01 and 21619-138-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). . . ."

2 CFR 200.403 (Uniform Guidance) 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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.208(b) (Uniform Guidance) 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 nor implemented a system of internal controls that would have ensured compliance with the earmarking requirements of the Matching, Level of Effort, and Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the 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.

FINDING 2022-013

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 Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not designed nor implemented at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

The Education Stabilization Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further funded by the Coronavirus Response and Relief Supplemental Appropriations Act (CRSSA) and the American Rescue Plan (ARP) Act was for the purpose of preventing, preparing for, or responding to the Novel Coronavirus.

Of 12 transfers from education stabilization funds, 6 did not have supporting documentation to provide sufficient explanation for how the use of funds prevented, prepared for, or responded to COVID-19. The total of unsupported transfers was \$2,168,761. This amount was considered questioned costs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 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. . . ."

2 CFR 200.404 states in part:

"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Public Law 116-136, Section 18003(d) states:

"Uses of Funds - A local educational agency that receives funds under this title may use funds for any of the following:

- (1) Any activity authorized by the ESEA of 1965, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act (20 U.S.C. 6301 et seq.), the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) ('IDEA'), the Adult Education and Family Literacy Act (20 U.S.C. 1400 et seq.), the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) ('the Perkins Act'), or subtitle B of title VII of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.).
- (2) Coordination of preparedness and response efforts of local educational 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.
- (3) Providing principals and others school leaders with the resources necessary to address the needs of their individual schools.
- (4) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
- (5) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
- (6) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
- (7) Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.
- (8) Planning for and coordinating during long-term closures, including for how to provide meals to eligible students, how to provide technology for online learning to all students, how to provide guidance for carrying out requirements under the Individuals with Disabilities Education Act (20 U.S.C. 1401 et seq.) and how to ensure other educational services can continue to be provided consistent with all Federal, State, and local requirements.
- (9) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.
- (10) Providing mental health services and supports.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (11) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
- (12) Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency."

Consolidated Appropriations Act, 2021, P.L. 116-260, section 313(d) states:

"USES OF FUNDS.—A local educational agency that receives funds under this section may use the funds for any of the following:

- (1) Any activity authorized by the ESEA of 1965, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act (20 U.S.C. 6301 et seq.), the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) ('IDEA'), the Adult Education and Family Literacy Act (20 U.S.C. 1400 et seq.), the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) ('the Perkins Act'), or subtitle B of title VII of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.).
- (2) Coordination of preparedness and response efforts of local educational 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.
- (3) Providing principals and others school leaders with the resources necessary to address the needs of their individual schools.
- (4) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
- (5) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
- (6) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
- (7) Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.
- (8) Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under the IDEA and ensuring other educational services can continue to be provided consistent with all Federal, State, and local requirements.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (9) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.
- (10) Providing mental health services and supports.
- (11) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
- (12) Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency, including by—
 - (A) Administering and using high-quality assessments that are valid and reliable, to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction.
 - (B) Implementing evidence-based activities to meet the comprehensive needs of students.
 - (C) Providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment.
 - (D) Tracking student attendance and improving student engagement in distance education.
- (13) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
- (14) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
- (15) Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency."

American Rescue Plan Act of 2021, H.R. 1319, section 2001(e)states:

"USES OF FUNDS.—A local educational agency that receives funds under this section—

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) shall reserve not less than 20 percent of such funds to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on the student subgroups described in section 1111(b)(2)(B)(xi) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311(b)(2)(B)(xi)), students experiencing homelessness, and children and youth in foster care; and
- (2) shall use the remaining funds for any of the following:
 - (A) Any activity authorized by the Elementary and Secondary Education Act of 1965.
 - (B) Any activity authorized by the Individuals with Disabilities Education Act.
 - (C) Any activity authorized by the Adult Education and Family Literacy Act.
 - (D) Any activity authorized by the Carl D. Perkins Career and Technical Education Act of 2006.
 - (E) Coordination of preparedness and response efforts of local educational 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.
 - (F) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
 - (G) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
 - (H) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
 - (I) Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.
 - (J) Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under the Individuals with Disabilities Education Act and ensuring other educational services can continue to be provided consistent with all Federal, State, and local requirements.
 - (K) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.
 - (L) Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(M) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.

(N) Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency, including by—

- (i) administering and using high-quality assessments that are valid and reliable, to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction;
- (ii) implementing evidence-based activities to meet the comprehensive needs of students;
- (iii) providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and
- (iv) tracking student attendance and improving student engagement in distance education.

(O) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.

(P) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and nonmechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.

(Q) Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.

(R) Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency."

Cause

Management had not designed nor implemented a system of internal controls that would have ensured compliance or that supporting documentation would have been maintained and available for audit related to the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

Questioned costs of \$2,168,761 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained and available for audit and comply with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles 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 2022-014

Subject: COVID-19 - Education Stabilization Fund - Cash Management

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,
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation requested reimbursement based off a calculation with the budgeted line items instead of actual grant expenses. For 19 of 20 reimbursement requests tested, the School Corporation was unable to provide adequate supporting documentation. Due to the lack of supporting documentation, it was not possible to determine if grant payments were reimbursements of expenditures or advance payments.

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:

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. . . ."

2 CFR 200.302(b) states in part:

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

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

Cause

Management had not designed nor implemented a system of internal controls that would have ensured compliance or that supporting documentation would have been maintained and available for audit related to the Cash Management compliance requirement.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Cash Management 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 to ensure that documentation will be maintained and available for audit and comply with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-015

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

Condition and Context

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

The School Corporation purchased playground equipment for their elementary schools with Education Stabilization Funds. Sleepy Hollow Play System \$7,600, Merriment - Wood \$12,548, Sweet Tooth Play System \$9,373, and Richardson Play System \$9,192 were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of the funding for the property (including the federal award identification number (FAIN)), who holds the title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and the use and condition of the property. In addition, assets were not properly safeguarded and maintained.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2022-016

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, S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation filed the four required Elementary and Secondary School Emergency Relief (ESSER) annual data reports. However, none of the reports were supported by the School Corporation's records.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.302(b) states in part:

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . .
- (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

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

Cause

Management had not designed nor implemented a system of internal controls that would have ensured that supporting documentation would have been maintained and available for audit related to the Reporting compliance requirement.

SCOTT COUNTY SCHOOL DISTRICT 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with 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 to ensure that documentation will be maintained and available for audit and comply with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Financial Transactions and Reporting

Largely completed by December 2021. Reconciliations of the depository account balance with the record balance have consistently been performed monthly and after review by no fewer than two people (Treasurer C Cheatham, Payroll Mgr J Cross initially, then CFO). Support from Baker-Tilly was provided until the Treasurer no longer needed that additional support and those services are available as needed. Cross-training and on-going collaboration within the business office have corrected much of the disconnect and lack of confirmation of the accurate recording of payroll taxes, benefits deductions, etc., but additional cross-training and on-going collaboration and development of control procedures are being implemented to correct all areas identified in the finding. June 2023 is the expected completion of any remaining control implementation and improvements. Maintenance and on-going review of those controls will occur thereafter.

FINDING 2020-002

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Preparation of the Schedule of Expenditures of Federal Awards

Updated, expected completion date: June 2023. After receiving additional support and training through the spring of 2023, this process will be completed by the Treasurer and the CFO to ensure there is a shared understanding and cross-checking of accuracy.

FINDING 2020-003

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Prepaid School Meal Accounts

Updated, expected completion date: June 2023. Both the Student Information System (Harmony) and the district's financial software (Skyward) will be used by the ECA Treasurer to reconcile the Prepaid Food control balance with the total of student deposits/use of their prepaid food monies. Any corrections/adjustments are noted and the monthly reconciliations are reviewed and signed off by the Food Service Director.

FINDING 2020-004

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking

Refresher training was completed in December 2021 by the Director of Special Education in the area of IDEA Matching, Level of Effort, and Earmarking/MOE requirements with follow-up collaboration with the CFO. Additional training and implementation of controls to verify compliance internally is being developed and will include a monthly and quarterly checklist that requires documentation at the time of the review and it shall also remain on file for inspection during a future audit.



FINDING 2020-005

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Special Tests and Provisions - Participation of Private School Children

Updated, expected completion date: May 2023. The Director of Grants & Programs receives and reviews any and all expenditure requests from the local, private school from the Equitable Share portion of grants to ensure the expenditure is for allowable activities and only if that occurs will it then be processed by the business office. The Director's approval shall be documented prior to paying the invoice. In addition, the Director will review on a monthly basis all expenditure and revenue details and document that review and any notes confirming accuracy or addressing needs for correction.

FINDING 2020-006

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Completed June 2022. The Director of Grants & Programs collaborates with the Payroll Mgr to ensure semi-annual certifications completed by the Director are accurate and comply with the grant agreement for allowable costs.

FINDING 2020-007

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Title I Grants to Local Educational Agencies – Reporting

Updated, expected completion date: June 2023. Additional training related to reporting requirements is taking place with the Treasurer and the Director of Grants & Programs to ensure reimbursement requests and other expenditure or special reports are reviewed by at least one additional person, and in some cases more, prior to submission by business office and/or administrative staff.

FINDING 2020-008

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Title I Grants to Local Educational Agencies - Level of Effort/Maintenance of Effort

Updated, expected completion date: May 2023. Quarterly reviews of parental involvement are included in the quarterly grant reviews with the Director of Grants & Programs and a consultant, as well as with the CFO. The Director has also been engaged in IDOE provided trainings and understands the parental involvement requirements needing to be met and monitors accordingly. In addition the monthly reports of all revenue and expenditures shall include tracking of specific spending requirements, such as parental involvement spending.



FINDING 2020-009

Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Child Nutrition Cluster - Internal Controls

Completed December 2021. On a monthly basis, the 3-month average expenditures from the School Lunch fund are calculated and compared to the monthly cash balance (net cash resources) to identify if the monthly cash balance is nearing or exceeding the 3-month average expenditures. On a monthly basis, the School Lunch fund reconciliation of revenues are reconciled by the Corporation Treasurer and also reviewed by the Food Service Director and/or the ECA Treasurer.

FINDING 2020-010

Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Child Nutrition Cluster – Eligibility

Not corrected. Although the 2021-22 school year did not require any reviews, the fall of 2022 should have included a second review after the Food Service Director. A monthly checklist of required tasks is being curated for the meal application approval process and that checklist will be completed and submitted by appropriate staff to ensure this corrective action is effective: The Food Service Director shall review meal applications to ensure all household members are included and information on the application is calculated correctly. The ECA Treasurer shall then complete a second review of the application information.

FINDING 2020-011

Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Not corrected. All supporting documentation relating to the verification of Free and Reduced Applications will be maintained by the Food Service Director and verified by the ECA Treasurer, including cross-referencing direct certification records to make sure an application is not processed with the student(s) is direct certified.

FINDING 2020-012

Fiscal year in which the finding initially occurred: 2018
Status of Audit Finding: Child Nutrition Cluster - Procurement and Suspension and Debarment

Not corrected. A more proactive solution will be utilized to ensure correction moving forward: As part of the monthly checklist being developed specifically for tasks related to school nutrition, all procurements approaching \$10,000.00 for the year will be scrutinized to determine if a contract should be in place due to the expectation of exceeding the \$10,000 threshold for the year. In addition, verification that vendors with procurements approaching \$25,000 shall be identified and as “not suspended or debarred” along with the date that was confirmed. Also, the Food Service Director attends refresher training annually and among the training topics is Procurement and Suspension/Debarment.



CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash and Investments - Monthly reconciliations of the depository account balance with the financial record balance are completed in the first 20 days of the following month, every month, with any posting errors or variances investigated and resolved in that same timeframe. The district Treasurer completes the reconciliations and the following is beginning in March 2023: Any corrections or adjustments must also be noted in the financial software with adjustments and journal entries requiring additional review and approval of the CFO. The documented review and approval of the bank reconciliation will be completed by the CFO if the reconciliation is completed by someone other than the CFO, and vice versa.

Receipts - Each electronic payment receipt initiated by the Treasurer requires the review and sign-off by the CFO on a monthly basis. The financial management software will be used for the Treasurer to request review and approval of any journal entries, including inputting proper notes and any related documentation. The CFO must review and if approved, the journal entry can then be completed. An additional monthly review will include checking for proper classification of receipts and posting of all transactions to the correct fund using all available reports, including ledger reports and/or budget to actual reports. That review and sign-off will be part of a monthly review checklist and shall be maintained on file for future review or auditors. Additional training in the related areas will be provided to relevant staff as needs are determined.

Disbursements – Each disbursement must be reviewed and approved prior to being paid. The monthly review of disbursements shall be reviewed using the same processes for receipts, including ensuring disbursements are recorded in the correct accounting period. The payroll withholding subsidiary ledger shall be reconciled to the control fund balance monthly by the Payroll Manager with this documented reconciliation being just one part of a monthly review checklist that will remain on file in the business office. For every disbursement, there be an accompanying AP Voucher with documented review and approval with signatures. The financial management software will be used for the Treasurer to request review and approval of any journal entries, including inputting proper notes and any related documentation. The CFO must review and if approved, the journal entry can then be completed.

Other Sources and Uses of Funds - Each allowable transfer submitted by the Treasurer within the financial software shall include relevant notes and require an additional review and approval. The notes shall include the purpose as well as approval authority/board approval date.

Financial Close and Reporting

Monthly – The administrator and director over each department and program will access the financial ledger reports and complete a documented review of the monthly financial activity from the reports to ensure the recorded activity is reasonable based upon their approved financial activity. This will occur for all departments with the priority of implementation being programs funded by grants. In addition to



providing the School Board with the condensed financial report of major funds only, additional reporting provided will include budget to actual comparisons for each fund.

Annual – A documented review of the information entered into Gateway shall take place by someone other than the person entering the information. Training specifically around financial statement requirements will be sought for key members of business office staff in order to meet the annual requirements and to present future auditors with accurate statements.

Anticipated Completion Date: June 2023

FINDING 2022-002

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: After receiving additional support and training through the spring of 2023, a documented review of the information entered into Gateway shall take place by someone other than the person entering the information to identify and ensure any errors or omissions are corrected. The review evidence and notes will be maintained on file for future audit.

Anticipated Completion Date: June 2023

FINDING 2022-003

Contact Person Responsible for Corrective Action: Sue Hart
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: If the district is a member of, and purchases through, a purchasing cooperative for food and/or supplies, at least one invoice per month from a vendor/cooperative will be reviewed by the Director of Food Services and compared to the approved price lists. A copy of those documents shall be made and shall include any notes/markings made as a part of the review. If discrepancies are identified, the Director of Food Services will communicate the need for correction to the vendor/cooperative and the district Treasurer and CFO. In addition, another invoice will be pulled and reviewed using the same process, continuing until a subsequent invoice is determined to have no discrepancies when compared to the approved price lists. Documentation showing evidence of these reviews will be filed appropriately by the Director of Food Services for easy access throughout the year and for examination during audits.

Anticipated Completion Date: May 2023



FINDING 2022-004

Contact Person Responsible for Corrective Action: Sue Hart
Contact Phone Number: 812-752-8921

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Each vendor who has received payment from the school district from federal Child Nutrition funds, or is expected to in the future, shall be required to have at least one of the following filed with the school district each year: 1) SAM Exclusions without the vendor being listed as excluded or disqualified; or, 2) Certification of the vendor not being excluded or disqualified; or, 3) Including a clause or condition on any and all contracts or invoices confirming the vendor is not excluded or disqualified. The Director of Food Services shall maintain files with evidence of the above documentation and it shall be updated at least annually and no fewer than once per calendar year. In addition, the Director shall ensure price or rate quotes are acquired from all vendors the Director reasonably expects to pay more than the micro-purchase threshold and contracts shall be executed with vendors when purchases are between \$50,000 and \$150,000. Such contracts shall also be Board approved with copies uploaded to the Gateway system for ease of access by SBOA or the district in the future.

Anticipated Completion Date: June 2023

FINDING 2022-005

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Instead of utilizing journal entries for corrections or adjustments in generic form, corrections to large or for multiple disbursements or receipts should be completed by reversing the action within the financial software and then correctly processing the disbursements or receipts. The on-going training and the related corrective actions which ensure more frequent and more in-depth reviews of reports on a monthly basis will also reduce the need for corrections in general. However, in the event there must be journal entries for corrections, documentation supporting and related to any journal entry will be input into the financial management software, as will any related notes, and any journal entry will have documented approval contained in that software, all completed by separate people – the Treasurer and CFO. Additional, related training will also be sought to ensure related processes and controls are understood and followed.

Anticipated Completion Date: May 2023

FINDING 2022-006

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.



Description of Corrective Action Plan: Additional training related to grant budgets entered into and monitored within the financial software will occur, as will the new practice of having the program directors initiating monthly reimbursement requests informed by the accurate reports from the software (ledger), with documented review by the Treasurer or CFO. Additional training over the reporting requirements is taking place with the Treasurer, CFO and Directors overseeing federal funds provide accurate reporting.

Anticipated Completion Date: June 2023

FINDING 2022-007

Contact Person Responsible for Corrective Action: Kristin Nass
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: In addition to on-going training and support of the Director of Grants/Programs who oversees Title I, a comprehensive checklist which includes required documentation and actions (including the verified data from non-pub school) is being developed and will be implemented in the spring of 2023. Checklist completion and reviewed data will be signed off by the CFO.

Anticipated Completion Date: May 2023

FINDING 2022-008

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Quarterly reviews of parental involvement will be included in the quarterly grant reviews with the Director of Grants/Programs and the CFO. The Director will also be engaged in IDOE provided trainings such as TitleCon, and understands the parental involvement requirements needing to be met and will monitor accordingly. In addition, the monthly reports of all revenue and expenditures shall include tracking of specific spending requirements, such as parental involvement spending. Finally, the comprehensive checklist that will be implemented will include the earmarking requirements and status.

Anticipated Completion Date: May 2023

FINDING 2022-009

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Director of Grants/Programs will receive and review all expenditure requests from the local, private school from the Equitable Share portion of grants to ensure



the expenditure is for allowable activities and only if that occurs will it then be processed by the business office. The Director's approval shall be documented prior to paying the invoice. In addition, the Director will review on a monthly basis all expenditure and revenue details and document that review and any notes confirming accuracy or addressing needs for correction as well as documenting the approved expenditures on the comprehensive checklist.

Anticipated Completion Date: May 2023

FINDING 2022-010

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Instead of utilizing journal entries for corrections or adjustments in generic form, corrections to large or for multiple disbursements or receipts should be completed by reversing the action within the financial software and then correctly processing the disbursements or receipts. The on-going training and the related corrective actions which ensure more frequent and more in-depth reviews of reports on a monthly basis will also reduce the need for corrections in general. However, in the event there must be journal entries for corrections, documentation supporting and related to any journal entry will be input into the financial management software, as will any related notes, and any journal entry will have documented approval contained in that software, all completed by separate people – the Treasurer and CFO. Additional, related training will also be sought to ensure related processes and controls are understood and followed.

Anticipated Completion Date: June 2023

FINDING 2022-011

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Additional training related to grant budgets entered into and monitored within the financial software will occur, as will the new practice of having the program directors initiating monthly reimbursement requests informed by the accurate reports from the software (ledger), with documented review by the Treasurer or CFO. Additional training over the reporting requirements is taking place with the Treasurer, CFO and Directors overseeing federal funds provide accurate reporting.

Anticipated Completion Date: June 2023

FINDING 2022-012

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935



Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Refresher training will be completed by staff, including the Director of Special Education in the area of IDEA Matching, Level of Effort, and Earmarking/MOE requirements with follow-up collaboration with the CFO. Additional training and implementation of controls to verify compliance internally is being developed and will include a monthly and quarterly checklist that requires documentation at the time of the review and it shall also remain on file for inspection during a future audit. This comprehensive checklist includes items beyond those addressed in this written plan and has also been referenced within other actions of this plan.

Anticipated Completion Date: June 2023

FINDING 2022-013

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Supporting documentation and a second approval is now required within the local financial management system for transfers and journal entries. Relevant notes and uploaded documents will be housed within the financial management system so future audits shall have ease of access to the documentation in order to properly test allowable activities and costs.

Anticipated Completion Date: March 2023.

FINDING 2022-014

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The approved grant budgets for all federal grants will be input into the financial management system and with all expenditures reported monthly from the Treasurer to the Director overseeing the federal grant for review and final approval. The monthly reports will then be used by the Director to generate a reimbursement request for actual expenditures. The reimbursement request must then be reviewed and signed by the Treasurer or the CFO prior to submission to the State by the Director.

Anticipated Completion Date: April 2023

FINDING 2022-015

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding



Description of Corrective Action Plan: The Capital Asset Ledger updated in June 2022 is being updated and will remain up-to-date with categorization of assets to identify those assets purchased in part or in whole by federal funds. The updated capital asset ledger shall include a description, serial/id number, source of funds (federal award #) and percentage of total, cost, date, location, etc. In June of each year, this update will be completed and documented by the Treasurer and CFO.

Anticipated Completion Date: June 2023.

FINDING 2022-016

Contact Person Responsible for Corrective Action: Casey Brewster
Contact Phone Number: 812-752-8935

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The approved grant budgets for all federal grants will be input into the financial management system and with all expenditures reported monthly from the Treasurer to the Director overseeing the federal grant for review and final approval. The Director shall be one of the approvers within the approval chain of federal grant funds the Director oversees. The Director shall be responsible for reviewing and utilizing actual expenditure reports to complete the annual reports, or any other reports, prior to another documented review by the Treasurer or CFO. All documentation related to the reports shall be maintained for future audit purposes.

Anticipated Completion Date: April 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/>.