

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FAIRFIELD COMMUNITY SCHOOLS

ELKHART 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	Marla Steffen Jill Erb	07-01-20 to 06-30-21 07-01-21 to 06-30-23
Superintendent of Schools	Dr. Robert Evans (Vacant) Dr. Randall J. Zimmerly (interim) Dr. Carrie Cannon	07-01-20 to 06-18-21 06-19-21 to 06-20-21 06-21-21 to 04-10-22 04-11-22 to 06-30-23
President of the School Board	Marilee Keim Sarah Elledge	07-01-20 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 FAIRFIELD COMMUNITY SCHOOLS, ELKHART 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 Fairfield Community Schools (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 21, 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 item 2022-001, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

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

Fairfield Community Schools' 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 21, 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 FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Fairfield Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2020 to June 30, 2022. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2020 to June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003. 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on 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 2022-002 and 2022-003, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement. We issued our report thereon dated March 21, 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 21, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

FAIRFIELD COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
Breakfast Reimbursement			FY 2020-2021	\$ -	\$ 119,480	\$ -	\$ -
Breakfast Reimbursement			FY 2021-2022	-	-	-	197,733
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
Breakfast Reimbursement			FY 2020-2021	-	16,281	-	-
Total - School Breakfast Program				-	135,761	-	197,733
National School Lunch Program							
Lunch Reimbursement	Indiana Department of Education	10.555					
Lunch Reimbursement			FY 2021-2022	-	-	-	1,118,994
Commodities			FY 2020-2021	-	676,899	-	-
Commodities			FY 2020-2021	-	93,416	-	-
Commodities			FY 2021-2022	-	-	-	111,741
Lunch Reimbursement - Snacks			FY 2020-2021	-	183	-	-
Lunch Reimbursement - Snacks			FY 2021-2022	-	-	-	191
Subtotal - National School Lunch Program				-	770,498	-	1,230,926
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
Covid 19 - Lunch Reimbursement			FY 2020-2021	-	122,883	-	-
Total - National School Lunch Program				-	893,381	-	1,230,926
Total - Child Nutrition Cluster				-	1,029,142	-	1,428,659
Total - Department of Agriculture				-	1,029,142	-	1,428,659
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B-5250			19611-014-PN01	-	7,970	-	-
Special Education Part B Section 611-5220			20611-014-PN01	-	229,422	-	2,113
Special Education Part B Section 611-5221			21611-014-PN01	-	346,182	-	188,415
Special Education Part B Section 611-5221			22611-014-PN01	-	-	-	158,211
Total - Special Education Grants to States				-	583,574	-	348,739
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education-Part B Section 619-5221		84.173A	21619-014-PN01	-	20,675	-	-
Special Education Part B Section 619-5222		84.173A	22619-014-PN01	-	-	-	20,904
Subtotal - Special Education Preschool Grants				-	20,675	-	20,904
Individuals with Disabilities Education Act/American Rescue Plan Act of 2021	Indiana Department of Education	84.173X					
Special Education Part B ARP Section 619-7912			22619-014-ARP	-	-	-	10,547
Total - Special Education Preschool Grants				-	20,675	-	31,451
Total - Special Education Cluster (IDEA)				-	604,249	-	380,190
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A170014	-	76,986	-	-
Title I			S010A200014	-	-	-	66,011
Title I			S010A190014	-	52,541	-	-
Title I			S010A210014	-	-	-	90,053
Total - Title I Grants to Local Educational Agencies				-	129,527	-	156,064

FAIRFIELD COMMUNITY SCHOOLS
 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
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01119-018-PN01	-	5,952	-	-
Title III			01120-014	-	-	-	13,080
Title III			01121-014	-	26,364	-	7,707
Title III			01122-014	-	-	-	22,767
Total - English Language Acquisition State Grants				-	32,316	-	43,554
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Teacher Leader Bootcamp Title IIA			7000S367A180013	-	3,671	-	-
Title IIA			S367A180013	-	5,830	-	-
Title IIA			S367A190013	-	26,328	-	-
Title IIA			S367A190013	-	-	-	4,147
Title IIA			S367A200013	-	20,300	-	11,348
Total - Supporting Effective Instruction State Grants				-	56,129	-	15,495
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IVA			S424A180015	-	157	-	-
Title IVA			S424A190015	-	86	-	-
Title IVA			S424A190015	-	5,368	-	374
Title IVA			S424A200015	-	9,129	-	-
Title IVA			S424A200015	-	-	-	1,076
Total - Student Support and Academic Enrichment Program				-	14,740	-	1,450
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Education Stabilization Relief Fund		84.425D	S425D200013	-	141,412	-	-
Education Stabilization Relief Fund		84.425D	S425D200013	-	-	-	1,493
Education Stabilization Relief Fund		84.425D	S425D200013	-	-	-	357,928
Education Stabilization Relief Fund		84.425U	S425U210013	-	-	-	190,171
Total - COVID-19 - Education Stabilization Fund				-	141,412	-	549,592
Total - Department of Education				-	978,373	-	1,146,345
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Federal Medicaid Reimbursement - IEP			FY21	-	10,664	-	-
Federal Medicaid Reimbursement - IEP			FY22	-	-	-	18,081
Medical Assistance Program	Indiana Department of Education	93.778					
Federal Medicaid Reimbursement - INMAC			FY21	-	17,119	-	-
Federal Medicaid Reimbursement - INMAC			FY22	-	-	-	11,136
Total - Medical Assistance Program				-	27,783	-	29,217
Total - Medicaid Cluster				-	27,783	-	29,217
Total - Department of Health and Human Services				-	27,783	-	29,217
Total federal awards expended				\$ -	\$ 2,035,298	\$ -	\$ 2,604,221

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

FAIRFIELD COMMUNITY SCHOOLS
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.

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

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

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

FINDING 2022-001

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

Condition and Context

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

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

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The Child Nutrition Cluster expenditures were understated by \$1,029,142 in fiscal year 2020-2021 and \$1,428,659 in 2021-2022.
2. The Special Education Cluster expenditures were understated by \$141,504 in 2020-2021 and \$358,458 in 2021-2022.
3. The School Corporation erroneously reported \$600,171 in federal expenditures that could not be traced to a grant, which resulted in an overstatement of expenditures.
4. Several additional grants had individually immaterial errors that resulted misstatements of expenditures of \$11,304, in total.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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:

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 2022-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2020-2021, FY 2021-2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

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 enter into a contract, as required, with the sole vendor that was less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. The School Corporation purchased goods and services in the amount of \$74,906 and \$82,070 during fiscal years 2020-2021 and 2021-2022, respectively, with the vendor. Additionally, the School Corporation did not verify the vendor was neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs.

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

FAIRFIELD COMMUNITY SCHOOLS
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). . . ."

2 CFR 200.318(i) states:

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

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

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

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

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

(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. . . ."

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 180.300 states in part:

"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 established a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control 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 2022-003

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listing Number: 84.425D
Federal Award Number or Year (or Other Identifying Number): S425D200013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Reporting compliance requirement.

Two of four annual data reports due and submitted during the audit period contained errors. The Elementary and Secondary School Emergency Relief (ESSER) I, Year 1 annual data report overstated total expenditures by \$72,046. The ESSER I, Year 2 annual data report overstated total expenditures by \$2,303.

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 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."

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established a system of internal controls that would have ensured compliance with the Reporting compliance requirement. The ESSER1, Year 1 report included expenditures past the reporting period.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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: FY 2019- FY 2020

Status of Audit Finding: Fairfield Community Schools has worked with responsible parties from the Elkhart County Special Education Cooperative (ECSEC) to establish controls that will ensure procedures are in place so that an adequate number of price or rate quotes are obtained during the procurement process to meet the small purchases threshold. Procedures will be put into place to ensure compliance with requirements to verify that small purchase vendors were not suspended or debarred from participation in federal programs.

The finding is corrected as of December 31, 2021.

FINDING 2020-002

Fiscal year in which the finding initially occurred: FY 2019 – FY 2020

Status of Audit Finding: Fairfield Community Schools has worked with responsible parties from the Elkhart County Special Education Cooperative (ECSEC) to establish controls that will ensure charges to federal awards for salaries and wages are based on records that accurately reflect the work performed. Since the work performed takes place under ECSEC supervision, and is outside of the direct control of Fairfield Community Schools, procedures will be implemented for ECSEC representatives to provide assurances that proper documentation is maintained for the compensated activities. In addition, Fairfield Community Schools will work with the responsible parties from ECSEC to ensure any transfers made have supporting documentation.

The finding is corrected as of December 31, 2021.

Empowering a resilient, reflective, and responsible community to learn and lead boldly.



Dr. Carrie Cannon, Superintendent
Monica Kegerreis, Assistant Superintendent
Dr. Brandon Penrod, Interim Director of Finance
Fax: (574) 831-5698
Phone: (574) 831-2188

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CORRECTIVE ACTION PLAN

FINDING 2022-001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Jill Erb, Treasurer
Contact Phone Number: 574-831-2188

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Before the SEFA is submitted, the Treasurer will have the Director of Finance and/or the Assistant Superintendent review the numbers before final submission into Gateway and initial the document(s).

Anticipated Completion Date: With the next submission of the SEFA on Gateway.

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CORRECTIVE ACTION PLAN

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FINDING 2022-002 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Amanda Bilbrey, Food Service Assistant
Contact Phone Number: 574-831-2188

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Food Service will review bid packets to ensure documentation was provided as proof that the vendors were not suspended or debarred. If such evidence is not provided, the Food Service Director will verify and request appropriate documentation.

Anticipated Completion Date: March 24, 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Monica Kegerreis, Assistant Superintendent
Contact Phone Number: 574-831-2188

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The ESSER reports requested by IDOE will follow the same procedures of all FER reports. The "data collection" for the ESSER grants was not identified as a financial report, and thus did not follow these processes. Now that we know this is a financial report, the steps below will be followed. The grant was initially not set up correctly and expenses were expended to and then transferred to the correct accounts once the grants were set up correctly. These changes were in flux when the report was requested, so what was reported at the time of the report is no longer what is reflected in grants' ledgers. The corrective action will require that the program director gathers the initial data, the data will be reviewed by the administrative assistant to the grants' director, and then reviewed by the Treasurer. All three employees will sign/initial a printed copy of the report before it is submitted. Data regarding students served by programs and staff reports will be reviewed by the program director and the data specialist and signed off on by both parties to ensure accuracy.

Anticipated Completion Date: March 24, 2023

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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/>.