

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ROCHESTER COMMUNITY SCHOOL CORPORATION

FULTON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED

03/30/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Todd VanDerWeele	07-01-20 to 06-30-23
Superintendent of Schools	Jana K. Vance	07-01-20 to 06-30-23
President of the School Board	Thomas Schwenk Jennifer Smith Katie Miller	07-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 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 ROCHESTER COMMUNITY SCHOOL
CORPORATION, FULTON 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 Rochester Community School Corporation (School Corporation), for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 17, 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 item 2022-001.

Rochester Community School Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 17, 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 ROCHESTER COMMUNITY SCHOOL CORPORATION, FULTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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

Qualified Opinion on the Special Education Cluster (IDEA)

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

Unmodified Opinion on Each of the Other Major Federal Programs

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

Basis for Qualified and Unmodified Opinions

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

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

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

Matters Giving Rise to Qualified Opinion on the Special Education Cluster (IDEA)

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA), as described in items 2022-004, 2022-005, and 2022-006 for Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-007, and 2022-008. 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, and 2022-008, 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 17, 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 17, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			SY 20-21	\$ -	\$ 170,589	\$ -	\$ -
School Breakfast Program			SY 20-22	-	-	-	205,207
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			SY 20-21	-	16,764	-	-
Total - School Breakfast Program				-	187,353	-	205,207
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			SY 20-21	-	501,808	-	-
National School Lunch Program			SY 21-22	-	-	-	775,356
Commodities			SY 20-21	-	87,464	-	-
Commodities			SY 21-22	-	-	-	105,507
Subtotal - National School Lunch Program				-	589,272	-	880,863
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			SY 20-21	-	78,648	-	-
Total - National School Lunch Program				-	667,920	-	880,863
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
			SY 21-22	-	-	-	53,606
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program			SY 20-21	-	261,949	-	-
Total - Summer Food Service Program for Children				-	261,949	-	53,606
Total - Child Nutrition Cluster				-	1,117,222	-	1,139,676
Total - Department of Agriculture				-	1,117,222	-	1,139,676
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Ed IDEA-Part B 611	Indiana Department of Education	84.027					
Special Ed IDEA-Part B 611			19611-112-PN01	-	146,297	-	-
Special Ed IDEA-Part B 611			20611-112-PN01	-	277,753	-	105,507
Special Ed IDEA-Part B 611			21611-112-PN01	-	-	-	222,867
Total - Special Education Grants to States				-	424,050	-	328,374
Special Education Preschool Grants							
Special Ed IDEA-Part B 619	Indiana Department of Education	84.173					
Special Ed IDEA-Part B 619			19619-112-PN01	-	5,187	-	-
			20619-112-PN01	-	3,951	-	9,261
Total - Special Education Preschool Grants				-	9,138	-	9,261
Total - Special Education Cluster (IDEA)				-	433,188	-	337,635

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A190014	-	56,338	-	300
Title I			S010A200014	-	297,393	-	57,299
Title I			S010A210014	-	-	-	391,709
Total - Title I Grants to Local Educational Agencies				-	353,731	-	449,308
English Language Acquisition State Grants	Bremen Public Schools	84.365					
Title III			S365A190014	-	-	-	2,016
Title III			S365A200014	-	-	-	1,746
Total - English Language Acquisition State Grants				-	-	-	3,762
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			S367A180013	-	1,000	-	-
Title II			S367A190013	-	20,000	-	40,809
Title II			S367A200013	-	-	-	58,140
Total - Supporting Effective Instruction State Grants				-	21,000	-	98,949
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S367A190015	-	-	-	9,702
Total - Student Support and Academic Enrichment Program				-	-	-	9,702
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief Funds		84.425C	S425C200018	-	22,263	-	-
Total - COVID-19 - Education Stabilization Fund				-	22,263	-	-
Total - Department of Education				-	830,182	-	899,356
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid - MAC			FY 21, FY 22	-	37,094	-	26,863
Medicaid - IEP			FY 21, FY 22	-	65,789	-	48,201
Total - Medicaid Cluster				-	102,883	-	75,064
Total - Department of Health and Human Services				-	102,883	-	75,064
<u>Department of Homeland Security</u>							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	4515DRINP0000001	-	-	-	78,591
FEMA				-	-	-	78,591
Total - Department of Homeland Security				-	-	-	78,591
Total federal awards expended				\$ -	\$ 2,050,287	\$ -	\$ 2,192,687

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

ROCHESTER COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2021 and 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ROCHESTER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	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 Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Unmodified Qualified 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: 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.

Condition and Context

The School Corporation had not established an effective system of internal controls over cash and investments, disbursements, and financial close and reporting.

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

Cash and Investments (Bank Reconciliations)

The School Corporation had implemented internal control procedures over cash and investments, including bank reconciliations. However, the internal controls were determined to not be effective in ensuring the accuracy and completeness of the ledger activity.

The School Corporation does not have an effective procedure in place to ensure that reconciling items are recorded timely. Disbursements paid via electronic fund transfers (EFT) for insurance and credit card payments were not timely recorded in the financial records. These reconciling items, some which dated back to September 2021, resulted in the \$282,641 understatement of disbursements and overstatement of the cash and investments balances as of June 30, 2022. The financial statement was not adjusted for these reconciling items.

Disbursements

The School Corporation had not implemented a process of internal controls over disbursements for new payees. New vendor and employee information was input by one employee without evidence of an oversight or review process.

Financial Close and Reporting

The School Corporation had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement). One employee prepared and entered the financial information without a documented review or oversight in place to prevent, or detect and correct, errors on the financial statement.

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. . . ."

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)

ROCHESTER COMMUNITY SCHOOL CORPORATION
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)

Cause

Management had not established a proper system of internal controls over financial transactions and reporting.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement could have occurred and remained undetected.

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 Finding: Material Weakness

Repeat Finding

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

Condition and Context

The School Corporation had established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). However, the School Corporation did not have documentation of a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

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.

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

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. . . ."

Cause

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

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

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, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): SY 20-21
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

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 Allowable Costs/Cost Principles compliance requirement.

Payroll disbursements for 3 of 11 employees tested, were not supported by the School Corporation's records. The hourly rate for 2 employees tested did not agree to the rate stated in the Board approved salary schedule. The School Corporation could not provide documentation or other justification to support their rate of pay. Additionally, the School Corporation did not retain time records for audit for the Food Service Director after leave of employment.

The lack of internal controls and noncompliance were isolated to fiscal year 2020-2021.

ROCHESTER COMMUNITY SCHOOL CORPORATION
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 200.403 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 200.430(i) states in part:

"Standards for documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

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

Effect

The failure to establish an effective system of internal controls, as well as adequately document costs, enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles 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 that documentation will be maintained and comply with 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: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 19611-112-PN01, 20611-112-PN01,
21611-112-PN01, 19619-112-PN01,
20619-112-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

Payroll disbursements for three of six employees tested were not supported by the School Corporation's records. The hourly rate for one employee tested did not agree to the rate stated in the School Board approved salary schedule. The rate paid was more than the amount stated in the School Board approved salary schedule. In addition, the School Corporation could not provide a contract for two of the employees tested. The total amount paid in unsupported salaries, \$86,043, was considered questioned costs.

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

ROCHESTER COMMUNITY SCHOOL CORPORATION
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 200.403 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 200.430(i) states in part:

"(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

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

Effect

The failure to establish an effective system of internal controls, as well as adequately document costs of federal awards, prevented the determination of the School Corporation's compliance with the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

Known questioned costs of \$86,043 were identified as noted in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, as well as to appropriately maintain documentation supporting costs, to ensure compliance with 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 2022-005

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grant to States
Assistance Listings Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 19611-112-PN01, 20611-112-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

For grant awards 19611-112-PN01 and 20611-112-PN01, the School Corporation was required to spend \$2,883 and \$2,718, respectively, on expenditures for non-public students with disabilities (non-public services). The School Corporation could not provide documentation to support the expenditures made for non-public services.

The lack of internal controls and noncompliance were isolated to the 19611-112-PN01 and 20611-112-PN01 grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

ROCHESTER COMMUNITY SCHOOL CORPORATION
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). . . ."

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

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, 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 or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained 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.

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

FINDING 2022-006

Subject: Special Education Cluster (IDEA) - Procurement
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): 19611-112-PN01, 20611-112-PN01,
21611-112-PN01, 20619-112-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation in order 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 obtain price or rate quotes for all four vendors tested that were less than the simplified acquisition threshold of \$150,000 but exceeded the \$10,000 micro-purchase threshold. The Special Education Director contacted different vendors to provide physical, occupational, and speech therapy services to obtain pricing information. The information obtained was discussed by the School Corporation and vendors were chosen. Documentation of the School Corporation's process and rationale for the chosen vendors was not available for audit.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.318(a) (Uniform Guidance) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.318(a) (Revised Uniform Guidance) states:

"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 confirm to the procurement standards identified in §§ 200.317 through 200.327."

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 documented 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. . . ."

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agent expects the purchase to be:

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

(1) at least fifty thousand dollars (\$50,000); and

(2) not more than one hundred fifty thousand dollars (\$150,000). . . .

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required. . . ."

Cause

Management had not developed an effective 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, as well as adequately document the procurement process for small purchases, prevented the determination of the School Corporation's compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained 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 2022-007

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

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 - Assessment System Security

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not properly implemented at the School Corporation in order to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

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

The School Corporation did not have a system of internal controls in place to ensure that any individual who administered, handled, or had access to secure test materials at the school or School Corporation had completed assessment security training prior to testing or that all applicable staff members signed the Indiana Testing Security and Integrity Agreement.

As a result, for 19 of the 40 applicable staff members tested, the School Corporation could not provide documentation that the individual received assessment security training. In addition, for 8 of the 40 applicable staff members tested, documentation could not be provided to show they had signed the Indiana Testing Security and Integrity Agreement.

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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

511 IAC 5-5-5 states in part:

". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year.

(c) Each individual required to sign the testing integrity agreement under this rule shall sign the form by the date established and included on the testing integrity agreement.

(d) The school shall retain the form for a minimum of two (2) years from the date of signing.

(e) Failure to comply with the terms of the testing integrity agreement may constitute evidence of an integrity breach."

Cause

Management had not established a system of internal controls that would have ensured compliance with requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

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

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

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 Special Tests and Provisions - Assessment System Security 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 - Special Tests and Provisions - Annual Report Card/High School Graduation Rate

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 - Annual Report Card/High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation must report graduation rate data for all public high schools within the corporation using the four-year adjusted cohort rate. To remove a student from the cohort, the School Corporation must confirm the reason for removal in writing. Additionally, required documentation for each removal type must be retained by the School Corporation.

The School Corporation had not established internal controls to ensure required documentation to support the reason for a student's removal from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained. For three of the seven students tested, the School Corporation was unable to provide documentation to support the removal of the student from the graduation cohort.

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:

ROCHESTER COMMUNITY SCHOOL CORPORATION
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). . . ."

20 USC 7801(23)(B) states:

"To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased."

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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.

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School Corporation @RochesterCommunitySchools



Rochester Community School Corporation

690 Zebra Lane

Rochester, Indiana 46975-0108

Phone: 574-223-2159 • Fax: 574-223-4909

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Partially Corrected

We are working to improve our controls and reviews for our Form 9, as well as other reports and operations of the Business Office.



Rochester Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Partially Corrected

Beginning in 2021, Superintendent reviews all data from financial software before Business Manager enters data into gateway. To prevent mistakes, we are in the process of improving our review and controls of the SEFA and AFR.

Let us grow, and the Rochester Community
School Corporation will flourish.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-003 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Corrective action has been taken.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-004 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

The School Board passed resolution 2021-7 to allow cafeteria staff 1 free meal while working. The Food Service Director is continuously monitoring sales totals to ensure we are in compliance.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-005 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Eligibility section: All students received free lunch during the audit period due to Covid-19 waivers.

School Food Account: Controls were implemented and documented.

Special tests-Paid Lunch Equity: The finding was isolated for the 2018-19 school year, and corrected in the 2019-2020 school year.

As I grow, and so Rochester Community
School Corporation



Rochester Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2022-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Business Manager and Deputy Treasurer will assess, update, and record all transactions that haven't been posted to the district's financial software to ensure that our ledger reconciles with our bank statements.

New vendor information will be entered into the financial software by the corporate secretary. After entering, the secretary will provide information entered (via screen shot), as well as W-9 form received from the vendor to the Deputy Treasurer, who will review and approve that information was entered correctly.

New employee information will be entered into the financial software by the Human Resources Director. After entering, the secretary will provide information entered (via screen shot), as well as forms received from the new employee to the Business Manager, who will review and approve that information was entered correctly.

The Business Manager will compile and enter all information into the Annual Financial Report. Prior to submission, the Business Manager will provide entered information for each section as well as all supporting documents to the Superintendent for review and approval.

Anticipated Completion Date: August 31, 2023

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Rochester Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2022-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

The Business Manager will compile and enter all information into the Annual Financial Report. Prior to submission, the Business Manager will provide entered information for each section as well as all supporting documents to the Superintendent for review and approval. After review and approval, Business Manager will then submit.

Anticipated Completion Date: August 31, 2023

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Rochester Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2022-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

We have adjusted our retention practices to keep all employee records according to statute.

After employees listed on the personnel report for hiring or reclassification are approved, the HR Director will provide the approved personnel report, salary schedule or CBA salary schedule, and screen shot of the entries into the school's financial software to the Business Manager to review and approve.

Anticipated Completion Date: March 31, 2023

Let us grow, and the Rochester Community School Corporation grows with us.



Rochester Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2022-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

We have adjusted our retention practices to keep all employee records according to statute.

After employees listed on the personnel report for hiring or reclassification are approved, the HR Director will provide the approved personnel report, salary schedule or CBA salary schedule, employee contract, and screen shot of the entries into the school's financial software to the Business Manager to review and approve.

Anticipated Completion Date: March 31, 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

The Special Education Director will immediately have employees fill out time and effort sheets showing time spent with non-public students. The Special Education Director will approve these sheets, and forward a copy to the business office for grant reimbursement purposes.

Anticipated Completion Date: March 31, 2023

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School Corporation



Rochester Community School Corporation

690 Zebra Lane

Rochester, Indiana 46975-0108

Phone: 574-223-2159 • Fax: 574-223-4909

CORRECTIVE ACTION PLAN

FINDING 2022-006 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

The Special Education Director will obtain pricing when cumulative costs are projected to exceed the micro purchase threshold an adequate number of qualified sources. The Special Education Director will document and communicate the results of this process with the Business Manager and Superintendent.

Anticipated Completion Date: July 31, 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-007 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

1. The Curriculum Director will create a control at the beginning of the school year so that we can properly ensure all parties receive test security training. This will be a google document, separated by tabs at the bottom for each building, with the names of all staff members. The control will also contain columns that can be check marked when test security forms and training is completed. The control will also contain a box to show the date training was completed.
2. We will have this document for training on test security in each building in August and September. Each staff member will sign the document to show they received the training.
3. The Curriculum Director will create an agenda for each training to properly ensure all staff members are trained.
4. All staff members will also be required to sign the test security form provided by the IDOE at their respective training.
5. For all staff members who miss training at their building, a Google Form will be provided with all of the test security information. Staff members will be required to fill out the form and watch the training video. The form will be time and date stamped.
6. The Curriculum Director will update the control at least once a week until all staff members are trained.

Anticipated Completion Date: February 2024

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CORRECTIVE ACTION PLAN

FINDING 2022-008 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Todd VanDerWeele

Contact Phone Number: 574.223.2159

Views of Responsible Official: We concur with the finding.

The Head Secretary at Rochester High School will document any student that is removed from the high school graduation cohort. The secretary will have the high school principal review and approve this documentation, and the secretary will place in the student's permanent file.

Anticipated Completion Date: May 31, 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/>.