

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

KNOX COMMUNITY SCHOOL CORPORATION

STARKE 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	Kasey Clark	07-01-20 to 06-30-23
Superintendent of Schools	Dr. William Reichhart	07-01-20 to 06-30-23
President of the School Board	Kirk Bennett Gary Dulin Kirk Bennett	07-01-20 to 12-31-20 01-01-21 to 12-31-22 01-01-23 to 06-30-23



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

TO: THE OFFICIALS OF THE KNOX COMMUNITY SCHOOL
CORPORATION, STARKE 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 Knox 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 29, 2023, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

Knox 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 29, 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 KNOX COMMUNITY SCHOOL CORPORATION, STARKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Knox 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 Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2020 to June 30, 2022.

Qualified Opinion on COVID-19 - Education Stabilization Fund

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 COVID-19 - Education Stabilization Fund for the period of July 1, 2020 to June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

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 its other major federal program 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.

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

Basis for 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.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.010 Title I Grants to Local Educational Agencies as described in item 2022-004 for Allowable Costs/Cost Principles. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

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 84.425 COVID-19 - Education Stabilization Fund, as described in item 2022-010 for Special Tests and Provisions - Wage Rate Requirements. 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.

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)

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 2022-005, 2022-006, 2022-007, 2022-008 and 2022-009. 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.

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)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, and 2022-010, 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 29, 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 29, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

KNOX 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	FY 20-21	\$ -	\$ 111,043	\$ -	\$ -
School Breakfast Program			FY 21-22	-	-	-	253,396
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 20-21	-	36,362	-	-
School Breakfast Program							
Total - School Breakfast Program				-	147,405	-	253,396
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY 20-21	-	322,754	-	-
National School Lunch Program			FY 21-22	-	-	-	751,283
SNP Emergency			FY 21-22	-	-	-	1,367
Commodities			FY 20-21	-	113,995	-	-
Commodities			FY 21-22	-	-	-	103,387
Subtotal - National School Lunch Program				-	436,749	-	856,037
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 20-21	-	101,298	-	-
National School Lunch Program							
Total - National School Lunch Program				-	538,047	-	856,037
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY 20-21	-	184,976	-	-
Summer Food Service Program			FY 21-22	-	-	-	52,555
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 20-21	-	148,860	-	-
Summer Food Service Program							
Total - Summer Food Service Program for Children				-	333,836	-	52,555
Total - Child Nutrition Cluster				-	1,019,288	-	1,161,988
Child and Adult Care Food Program							
Snack	Indiana Department of Education	10.558	FY 20-21	-	5,987	-	-
Snack			FY 21-22	-	-	-	7,399
Total - Child and Adult Care Food Program				-	5,987	-	7,399
Total - Department of Agriculture				-	1,025,275	-	1,169,387
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	H027A200084	-	204,394	-	245,172
5205 Special ed 611 20-21			H027A210084	-	-	-	330,516
5207 Special ed 611 21-22							
Total - Special Education Grants to States				-	204,394	-	575,688
Special Education Preschool Grants	Indiana Department of Education	84.173	H173A200104	-	16,453	-	-
5206 Special ed 619 21-22			H173A210104	-	-	-	16,499
5208 Special ed 619 21-22							
Total - Special Education Preschool Grants				-	16,453	-	16,499
Total - Special Education Cluster (IDEA)				-	220,847	-	592,187
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A190014	-	118,918	-	30,166
4105 title i 20-21							

KNOX 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
4106 title i 21-22			S010A200014	-	415,190	-	79,544
4106 title i 21-22			S010A210014	-	-	-	327,878
Total - Title I Grants to Local Educational Agencies				-	534,108	-	437,588
COVID-19 - Gaining Early Awareness and Readiness for Undergraduate Programs 3790 & 3791 CARES	Indiana Department of Education	84.334	P334S160023	-	5,000	-	1,200
Rural Education	Indiana Department of Education						
6871 title vi rural & low		84.358	S358B180014	-	15,914	-	928
6873 title vi rural & low			S358B190014	-	28,542	-	7,139
6874 title vi rural & low			S358B200014	-	3,495	-	29,599
6875 title vi rural & low			S358B210014	-	-	-	29,595
Total - Rural Education				-	47,951	-	67,261
Supporting Effective Instruction State Grants	Indiana Department of Education						
6844 title ii 19-21		84.367	S367A180013	-	15,677	-	-
6845 title ii 20-22			S367A190013	-	23,665	-	15,427
6846 title ii 21-23			S367A20013-20A	-	33,864	-	33,990
Total - Supporting Effective Instruction State Grants				-	73,206	-	49,417
Student Support and Academic Enrichment Program	Indiana Department of Education						
5800 title iv 19-21		84.424	S424A190015	-	26,149	-	3,398
5803 title iv 20-22			S424A200015	-	12,008	-	18,368
Total - Student Support and Academic Enrichment Program				-	38,157	-	21,766
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
7923 esser I & II		84.425	S425D200013	-	1,842,699	-	22,180
7940 GEER		84.425C	S425C200018	-	116,185	-	-
7931 ESSER III		84.425U	S425U210013	-	-	-	2,724,460
Total - COVID-19 - Education Stabilization Fund				-	1,958,884	-	2,746,640
Total - Department of Education				-	2,878,153	-	3,916,059
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program							
Medicaid Imac	Indiana Department of Education	93.778	FY 20-21	-	45,931	-	29,458
Medicaid IEP	Indiana Family and Social Services Administration		FY 21-22	-	50,141	-	48,994
Total - Medicaid Cluster				-	96,072	-	78,452
Total - Department of Health and Human Services				-	96,072	-	78,452
<u>Department of Homeland Security</u>							
COVID - 19 - Disaster Grants - Public Assistance 7945 FEMA COVID	Indiana Department of Education	97.036	FY 20-21	-	-	-	59,259
Total - Department of Homeland Security				-	-	-	59,259
Total federal awards expended				\$	3,999,500	\$	5,223,157

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

KNOX 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.

KNOX 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
	Child Nutrition Cluster	Unmodified
84.010	Title I Grants to Local Educational Agencies	Qualified
84.425	COVID-19 - Education Stabilization Fund	Qualified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022-001

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

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 effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement.

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

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. One employee entered the information into Gateway without an oversight or review process in place to prevent, or detect and correct, errors on the financial statement.

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

1. The School Corporation entered the ending cash and investments balances from June 30, 2021, as the beginning cash and investments balances for July 1, 2020. This error caused the beginning cash and investments balances of 32 funds to be overstated by \$9,292,901 and 20 funds to be understated by \$11,062,364.
2. The School Corporation included a \$10,500,000 investment in the Construction 2019 fund as a receipt in the current audit period; however, it had already been reported in the prior audit period. This caused the cash and investments balance in the Construction 2019 fund to be overstated by \$10,500,000.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in the Financial Statement Audit 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. . . ."

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

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

Cause

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

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

Effect

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

FINDING 2022-002

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

Repeat Finding

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

Condition and Context

The School Corporation had not established 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 failed to properly review the federal grant information prepared and submitted in Gateway. One employee entered the information into Gateway without an oversight or review process in place to prevent, or detect and correct, errors on the SEFA.

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

1. Several grants had individually immaterial errors that resulted in misstatements of expenditures of \$631,904, in total.
2. Other errors included incorrect federal program names and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: Title I Grants to Local Educational Agencies - Internal Controls
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): S010A200014, S010A210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

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(Continued)

Condition and Context

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

Eligibility for Title I was determined on the Eligible School Summary of the Title I application. Enrollment and poverty numbers for the public school district were automatically pulled from Indiana Department of Education's (IDOE) Official Pupil Enrollment (PE) count for each school into the Eligible School Summary page of the Title I application. These numbers were used to calculate Percent Poverty, which was then used to rank schools for Title I eligibility. The percent poverty was calculated based on a student's socioeconomic status as determined on their Application for Free and Reduced Lunch.

The School Corporation did not have an oversight or review process in place to ensure that the food service software company (Titan) accurately determined free and reduced lunch eligibility for all students that submitted an online application. Titan uploaded the income guidelines for free and reduced lunch for each school into the software; however, an individual at the School Corporation did not review the guidelines for accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Eligibility compliance requirement.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2022-004

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation approved a salary schedule for bus drivers which included additional compensation based on miles driven for bus drivers who transported preschool students. Each pay period, the Director of Transportation calculated a bus driver's daily pay by adding the approved hourly wage rate times hours worked to the per mile rate times miles driven for the preschool route, if applicable.

The School Corporation provided approved timesheets for the bus drivers selected for testing; however, the calculation of the daily pay calculation was not provided for audit. The bus drivers' payroll of \$113,486 charged to the Title I grants during the audit period were considered questioned costs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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(Continued)

(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 established a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material 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

Known questioned costs were \$113,486 as identified in the *Condition and Context*.

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 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.

KNOX COMMUNITY SCHOOL CORPORATION
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(Continued)

FINDING 2022-005

Subject: Title I Grants to Local Educational Agencies - Matching, Level of Effort, Earmarking
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Number and Year (or Other Identifying Number): S010A200014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
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 Matching, Level of Effort, Earmarking compliance requirement.

School Corporations with an allocation over \$500,000, are required to set aside at least 1 percent of their total allocation for parental involvement. The set aside must be expended within the fiscal year or, if not expended, must be carried over and added into the LEA's parental involvement budget for the next fiscal year.

The School Corporation did not have internal controls in place to ensure the required set aside was spent within the fiscal year or were carried over to the next fiscal year. The School Corporation spent \$300 of the \$5,635 that was required to be spent on parental involvement.

The lack of internal controls and noncompliance were isolated to the S010A200014 grant award.

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). . . ."

20 USC 6318(a)(3) states in part:

"(A) In general.

Each local educational agency shall reserve at least 1 percent of its allocation under subpart 2 to assist schools to carry out the activities described in this section, except that this subparagraph shall not apply if 1 percent of such agency's allocation under subpart 2 for the fiscal year for which the determination is made is \$5,000 or less. Nothing in this subparagraph shall be construed to limit local educational agencies from reserving more than 1 percent of its allocation under subpart 2 to assist schools to carry out activities described in this section. . . .

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(Continued)

(D) Use of Funds.

Funds reserved under subparagraph (A) by a local educational agency shall be used to carry out activities and strategies consistent with the local educational agency's parent and family engagement policy, including not less than 1 of the following:

- (i) Supporting schools and nonprofit organizations in providing professional development for local educational agency and school personnel regarding parent and family engagement strategies, which may be provided jointly to teachers, principals, other school leaders, specialized instructional support personnel, paraprofessionals, early childhood educators, and parents and family members.
- (ii) Supporting programs that reach parents and family members at home, in the community, and at school.
- (iii) Disseminating information on best practices focused on parent and family engagement, especially best practices for increasing the engagement of economically disadvantaged parents and family members.
- (iv) Collaborating, or providing subgrants to schools to enable such schools to collaborate, with community-based or other organizations or employers with a record of success in improving and increasing parent and family engagement.
- (v) Engaging in any other activities and strategies that the local educational agency determines are appropriate and consistent with such agency's parent and family engagement policy."

Cause

Management had not designed, nor implemented a 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 system of internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

FINDING 2022-006

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
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 Reporting compliance requirement.

The School Corporation did not have an internal control over the final expenditure reports submitted during the audit period. The Treasurer submitted the report without a documented review or oversight in place to prevent, or detect and correct, errors on the reports.

The School Corporation must report all required set asides manually on the final expenditure report submitted to the Indiana Department of Education. Grant award S010A200014 had a required set-aside for parental involvement; however, a set aside was not reported on the final expenditure report.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the S010A200014 grant award.

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

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

. . .

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

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(Continued)

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

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

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

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and 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 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.

FINDING 2022-007

Subject: COVID-19 - Education Stabilization Fund - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425D

Federal Award Number and Year (or Other Identifying Number): S425D200013

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The COVID-19 - Education Stabilization Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act was for the purpose of preventing, preparing for, and responding to Novel Coronavirus (COVID-19).

The School Corporation paid Classified Staff and all Administrators and Directors (Superintendent of Schools excluded) School Board approved stipends on December 11, 2020, from the program. The across-the-board stipends were paid without justification or documentation that provided for additional duties or work performed on which to base the stipends. The total amount of stipends paid, \$178,800, were considered questioned costs.

The lack of internal controls and noncompliance were isolated to the stipend payments made from S425D200013.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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

2 CFR 200.404 states in part:

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

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (11) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
- (12) Other activities that are necessary to maintain the operation of and continuity of services in local educational H. R. 748—287 agencies and continuing to employ existing staff of the local educational agency."

Cause

Management had not established a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs in the amount of \$178,800 were identified and noted in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2022-008

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

Condition and Context

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

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

The School Corporation paid \$2,135,000 for HVAC and flooring improvements at various locations using COVID-19 - Education Stabilization Fund grant funds. These capital improvements were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and the use and condition of the property. A physical inventory had been taken in the past two years; however, the physical inventory was not reconciled with the capital assets listing. In addition, assets were not properly safeguarded and maintained.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

Cause

Management had not designed, nor implemented a system of internal controls that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2022-009

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

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.

The annual Elementary and Secondary School Emergency Relief (ESSER) annual data collection reports (Reports) were prepared by the Treasurer and reviewed and approved by the Director of Curriculum prior to submission; however, the review process in place did not prevent, or detect and correct, errors.

Of the six reports tested, four (ESSER I, Year 1 and Year 2, ESSER II, Year 1, and ESSER III Year 1) were not supported by the School Corporation's records. Key line items selected for review and verification were determined to be incorrectly reported on the ESSER I, Year 1 report as well as omitted from the ESSER I, Year 2, ESSER II, Year 1, and ESSER III, Year 1 reports.

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

KNOX 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 200.333 (Uniform Guidance) states in part:

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

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

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

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

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

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

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

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

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

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

- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

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

Cause

Management had not established a system of internal controls that would have ensured compliance with the Equipment and Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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 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.

FINDING 2022-010

Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation did not follow their policies or procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. One construction contract was paid from the COVID-19 - Education Stabilization Fund grant funds, totaling \$2,135,000, during the audit period. This construction contract was subject to the wage rate requirements; however, the contract did not have the required prevailing wage rate clause included in the contract, nor were certified payrolls submitted by the contractor timely.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses . . .

(1) *Minimum wages.*

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

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

Management had not designed, nor implemented a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Effect

The failure to establish an effective internal control system and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

KNOX 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 internal controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

KNOX COMMUNITY SCHOOL CORPORATION

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Kasey Clark

Business Manager/ Corp. Treasurer

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action is ongoing and steps are being taken towards correcting the financial statements being accurate.

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FINDING 2020-002

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action is ongoing as I am still learning how the SEFA is named and the numbers that are assigned. I am working on learning how/where the number. I sought out guidance from SBOA representative and she has guided me where to find information and program names for correction for the future.

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FINDING 2020-003

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action was taken.

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FINDING 2020-004

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action was taken.

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FINDING 2020-005

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action was taken.

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CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: the FS statement errors and control issue. The statement can now be uploaded into the system so that will help with control and I will print out a report when uploaded and have the superintendent review and sign off.

Anticipated Completion Date: Next time that FS statement is uploaded into AFR

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CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: the SEFA errors and control issue. The SEFA can now be uploaded into the system so that will help with control and I will print out a report when uploaded and have the superintendent review and sign off.

Anticipated Completion Date: Next time that FS statement is uploaded into AFR

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CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: The income guidelines will be uploaded into the food service system after printing off the government site and two people will have eyes on them and this has started for 2022/2023.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: The bus rates will have in every weekly pay attached the rates for each route and submitted with their timecards. The bus rates will be prepared by the Transportation Director and will be reviewed by the Deputy Treasurer and then the Treasurer.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-005

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: We will look closer at the parental involvement piece of our grant and will comply with what the total cost are and spend them on parental involvement. The Treasurer will prepare a spreadsheet to track the parental involvement expenditures and the Title I Specialist will review spreadsheet to ensure parental involvement expenditures are being spent.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-006

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: We will take the set aside amount and make a specific line in the financial software and report the amount that is needed as needed to be reported. The Treasurer will prepare the final expenditure report and the Title I Specialist will review the report to ensure the set asides are accurately reported.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-007

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The time and effort for the stipends was not documented. The time and effort for all stipends will be documented for any stipend. All stipends will be reviewed and approved by the Treasurer.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-008

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The HVAC will be documented with all appropriate information via Adtec in 2023 which is our biannual update. The Treasurer will review and approve this documentation for accuracy. A spreadsheet will be kept to document all capital expenditures as they occur. Equipment will be appropriately safeguard and maintained by the School Corporation's Maintenance Director.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-009

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: Internal controls will be in place for ESSER funds so that Treasurer and Superintendent or Title I specialist will sign off on annual reports to ensure accuracy of ESSER dollars spent.

Anticipated Completion Date: March 2023

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CORRECTIVE ACTION PLAN

FINDING 2022-010

Contact Person Responsible for Corrective Action: Kasey Clark
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: Wage Rate Requirements compliance requirement. Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. This will be documented in any construction contracts going forward. The School board and Superintendent will make sure that all certified payroll reports are submitted to the School Corporation timely by contractors. The Superintendent will review all contracts and certified payroll reports to ensure accuracy.

Anticipated Completion Date: March 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/>.