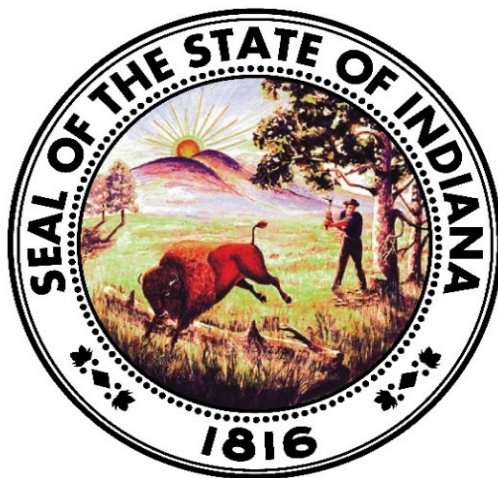


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT
OF
NORTH LAWRENCE COMMUNITY SCHOOLS
LAWRENCE COUNTY, INDIANA
July 1, 2020 to June 30, 2022



FILED
03/31/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jenise Roane Robyn Muder	07-01-20 to 12-31-21 01-01-22 to 06-30-23
Superintendent of Schools	Ty Mungle Steve Underwood (interim) Dr. James Halik (interim)	07-01-20 to 01-08-23 01-09-23 to 02-05-23 02-06-23 to 06-30-23
President of the School Board	Trent Todd Dr. Wendy Miller	07-01-20 to 12-31-22 01-01-23 to 12-31-23



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 NORTH LAWRENCE COMMUNITY
SCHOOLS, LAWRENCE 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 North Lawrence Community Schools (School Corporation), for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 15, 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.

North Lawrence Community Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 15, 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 NORTH LAWRENCE COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified Opinions

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

Qualified Opinion on Child Nutrition Cluster

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

Qualified Opinion on Special Education Cluster (IDEA)

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

Qualified Opinion on Title I Grants to Local Educational Agencies

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

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 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.

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 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.

Matters Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in items 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 Child Nutrition Cluster, as described in item 2022-003 for Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and item 2022-004 for Special Tests and Provisions - Non-Profit Food Service Accounts. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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

As described in items in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA), as described in item 2022-006 for the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles, item 2022-007 for the Cash Management, and for item 2022-008 for the Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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

As described in items 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 Title I Grants to Local Educational Agencies, as described in item 2022-010 for the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles, item 2022-011 for Matching, Level of Effort, Earmarking, and for item 2022-012 for Special Tests and Provisions - Assessment System Security. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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

As described in items 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 COVID-19 - Education Stabilization Fund as described in item 2022-016 for the Equipment and Real Property Management. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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

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.

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 2022-013, 2022-014, and 2022-017. Our opinion on each major federal program is not modified with respect to these matters.

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)

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, 2022-011, 2022-012, 2022-013, 2022-014, 2022-15, 2022-016, 2022-017, and 2022-018, 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 15, 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 15, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Agriculture</u>							
<u>Child Nutrition Cluster</u>							
School Breakfast Program	Indiana Department of Education	10.553	SY 21-22	\$ -	\$ -	\$ -	\$ 366,043
School Breakfast							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	SY 20-21	-	31,026	-	-
National School Breakfast Program							
Total - School Breakfast Program				-	31,026	-	366,043
<u>National School Lunch Program</u>							
FS After School Program	Indiana Department of Education	10.555	SY 20-21	-	4,781	-	-
School Lunch			SY 21-22	-	-	-	1,598,164
National School Lunch Program Commodities			SY 20-21	-	224,116	-	-
National School Lunch Program Commodities			SY 21-22	-	-	-	244,422
Subtotal - National School Lunch Program				-	228,897	-	1,842,586
<u>COVID-19 - National School Lunch Program</u>							
FS After School Program	Indiana Department of Education	10.555	SY 20-21	-	1,298	-	-
School Lunch			SY 20-21	-	122,439	-	-
Subtotal - COVID-19 - National School Lunch Program				-	123,737	-	-
Total - National School Lunch Program				-	352,634	-	1,842,586
<u>Summer Food Service Program For Children</u>							
Summer Food	Indiana Department of Education	10.559	SY 20-21	-	1,289,630	-	-
Summer Food			SY 21-22	-	-	-	36,540
COVID-19 - Summer Food Service Program For Children	Indiana Department of Education	10.559	SY 20-21	-	54,204	-	-
Summer Food							
Total - Summer Food Service Program For Children				-	1,343,834	-	36,540
Total - Child Nutrition Cluster				-	1,727,494	-	2,245,169
<u>Pandemic EBT Administrative Costs</u>							
PEBT Admin	Indiana Department of Education	10.649	SY 21-22	-	-	-	3,063
Total - Department of Agriculture				-	1,727,494	-	2,248,232

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			19611-047-PN01	-	108,377	-	-
			20611-045-PN01	-	516,748	-	-
			21611-047-PN01	-	-	-	975,069
				-	-	-	-
Total - Special Education Grants to States				-	625,125	-	975,069
Special Education Preschool Grants	Indiana Department of Education	84.173					
			19619-047-PN01	-	3,621	-	-
			20619-045-PN01	-	32,023	-	-
			21619-047-PN01	-	-	-	42,315
				-	-	-	-
Total - Special Education Preschool Grants				-	35,644	-	42,315
Total - Special Education Cluster (IDEA)				-	660,769	-	1,017,384
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			S010A190014	-	447,770	-	310,372
			S010A200014	-	73,836	-	446,040
			S010A190014SIG	-	234,411	-	-
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	756,017	-	756,412
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
			V048A190014	-	107,180	-	-
			V048A200014	-	71,179	-	144,014
			V048A210014	-	-	-	78,996
				-	-	-	-
Total - Career and Technical Education - Basic Grants to States				-	178,359	-	223,010
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
			S367A180013	-	3,232	-	14,273
			S367A190013	-	179,463	-	159,458
				-	-	-	-
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	182,695	-	173,731
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing 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
				S424A180015	-	75,177	-
				S424A190015	-	61,683	16,715
Total - Student Support and Academic Enrichment Program					-	136,860	16,715
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425C	S425C200018	-	114,444	-	31,048
		84.425D	S425D200013	-	862,480	-	-
		84.425D	S425D210013	-	-	-	1,317,550
Total - COVID-19 - Education Stabilization Fund					-	976,924	1,348,598
Total - Department of Education					-	2,891,624	3,535,850
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
				FY 2020	-	64,916	-
				FY 2020	-	-	69,074
Total - Medical Assistance Program					-	64,916	69,074
Total - Medicaid Cluster					-	64,916	69,074
Total - Department of Health and Human Services					-	64,916	69,074
Total federal awards expended					\$ -	\$ 4,684,034	\$ - \$ 5,853,156

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

NORTH LAWRENCE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. Special Education Cooperative

The School Corporation was a member of the Special Education Cooperative (Cooperative), and served as the fiscal agent until the Cooperative dissolved June 30, 2021. As a result, some activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member School Corporations, as appropriate.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
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 an adequate system of internal controls related to financial transactions and reporting.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Transactions - Conversion

The School Corporation had not established effective internal controls over financial transactions. Transactions were posted to the ledgers without an oversight or review process to prevent, or detect and correct, errors in financial transactions.

Due to the lack of effective internal controls, the following issues were identified:

- The School Corporation utilized ten bank accounts. In November 2019, the School Corporation converted from the Komputrol accounting system to the FMS accounting system. The process for recording bank transfers within the Komputrol system differed from the process required within the FMS system. However, the School Corporation continued to record bank transfers in the same manner as before which resulted in instances of incomplete financial data as only one side of the transfer was recorded.
- Electronic Fund Transfer (EFT) disbursements posted in the ledger did not agree with the corresponding bank disbursements.
- Attempts to correct errors were made incorrectly which resulted in errors in the receipts and disbursements.

Financial Transaction - Cash and Investments

The School Corporation had not established effective internal controls over cash and investments. Although the Deputy Treasurer prepared the reconciliation and the Treasurer reviewed the reconciliation, bank reconciliations were not completed timely, and there were unidentified reconciling differences each month. In addition, the numerous reconciling items did not have adequate documentation to support the validity of the item and identified bank reconciling items were not corrected timely in the ledger. As these issues originated in the prior fiscal year, the beginning unidentified cash short as of July 1, 2020, was \$302,361. The adjusted bank reconciliation contained an unidentified cash short of \$485,298 and \$501,508 for June 30, 2021, and June 30, 2022, respectively.

Financial Close and Reporting

The School Corporation did not have a proper system of internal controls in place over financial close and reporting. The financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's financial statement. The School Corporation did not have a system of internal controls in place to prevent, or detect and correct, errors on the financial statement.

Due to the lack of effective internal controls, the following errors remained undetected:

- Beginning cash and investment balances were overstated by \$928,875 and \$438,460, for fiscal years 2020-2021 and 2021-2022, respectively.
- Receipts were understated by \$9,967,476 and \$11,857,168, for 2020-2021 and 2021-2022, respectively.
- Disbursements were understated by \$9,450,802 and \$10,405,094, for 2020-2021 and 2021-2022, respectively.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- Other Financing Sources (Uses) were overstated by \$26,259 and understated by \$542,038, for 2020-2021 and 2021-2022, respectively. The individual components of Other Financing Sources (Uses) contained errors as follows:
 - The Sale of Capital Assets were understated by \$738,406 for 2021-2022.
 - Transfers In were overstated by \$521,235 and \$431,600 for 2020-2021 and 2021-2022, respectively.
 - Transfers Out were overstated by \$494,976 and \$235,232, for 2020-2021 and 2021-2022, respectively.
- Ending cash and investment balances were overstated by \$438,460 and understated by \$1,555,652, for 2020-2021 and 2021-2022, respectively.

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

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](#)."

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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

Effect

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

Views of Responsible Officials

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

FINDING 2022-002

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

Repeat Finding

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered in 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. Although one employee prepared and entered the federal award information into Gateway and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The National School Lunch Program expenditures were understated by \$143,775 and \$634,996, for fiscal years 2020-2021 and 2021-2022, respectively. Additionally, commodities were omitted, which understated expenditures by a \$224,116 and \$244,422, for 2020-2021 and 2021-2022, respectively.
2. The Special Education Grants to States expenditures were overstated by \$639,248 for 2020-2021.
3. Six grants had individually immaterial errors for 2020-2021 that resulted in misstatements of expenditures of \$44,431, in total. Eight grants had individually immaterial errors for 2021-2022 that resulted in misstatements of expenditures of \$579,500, in total.
4. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Criteria

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

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

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

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 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 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (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 percent 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 included the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 20-21, SY 21-22
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation had not designed nor implemented a system of internal controls to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of the food service program.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Vendor Transactions

A sample of 38 vendor transactions from the Food Service fund was selected for testing to verify the transactions were for allowable activities and costs under the Child Nutrition programs. There were 3 of the 38 transactions, totaling \$10,861, that were paid to vendors for which the School Corporation could not provide documentation to support the costs. As such, the 3 transactions could not be verified as an allowable activity or cost for the food service program.

In addition, 10 of the 38 transactions, totaling \$10,990, were for fringe benefits in which the supporting documentation did not provide details to identify the employees for which the benefits were paid. As a result, we were unable to determine if the payments were on behalf of allowable staff related to the operation of the food service program.

Payroll Transactions

A sample of 23 payroll expenditures from the Food Service fund was selected for testing. Each payroll expenditure line could include payroll amounts paid to multiple employees. Of the 23 payroll expenditures tested, 4 included amounts paid to various employees for which supporting documentation, such as timecards was not maintained. The hourly rate paid to these employees also varied from the School Board approved schedule. In addition, contracts were not presented for either audit year to support the salaries paid to two contracted employees. As a result of the lack of supporting documentation, the payroll amounts, totaling \$14,001, could not be verified as allowable costs to the operation of the food service program.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

2 CFR 200.403 states in part:

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

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

Cause

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

Effect

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

Questioned Costs

Known questioned costs of \$35,852 were identified, as detailed in *Condition and Context*.

Recommendation

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-004

Subject: Child Nutrition Cluster - Special Tests and Provisions - Non-Profit School Food Service Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 20-21, SY 21-22
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Non-Profit School Food Service Accounts
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is required to account for all revenues and expenditures of its school food service, which includes ensuring federal reimbursement payments are correctly credited to the school food service account. Seven reimbursements were received by the School during the audit period. For one reimbursement, only a portion of the reimbursement was properly recorded to the school food service account, with the remaining amount being incorrectly recorded in a different account. A second reimbursement was incorrectly receipted into a clearing account instead of the food service account.

The School Corporation completed six transfers, totaling \$353,732, out of the school food service account; however, no documentation was provided for audit to verify the transfers were allowable and for the benefit of the food service program.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:

(1)

(i) Maintain a nonprofit school food service;

(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

Cause

Management had established an effective a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, with the grant agreement and the Special Tests and Provisions - Non-Profit School Food Service Accounts compliance requirement.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement listed above. The failure to design and implement an effective system of internal controls enabled material noncompliance to go undetected.

Questioned Costs

Known questioned costs of \$353,732 were identified, as detailed in *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Special Tests and Provisions - Non-Profit School Food Service Accounts compliance requirement.

NORTH LAWRENCE COMMUNITY SCHOOLS
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 2022-005

Subject: Child Nutrition Cluster - Reporting, Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 20-21, SY 21-22

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Procurement and Suspension and Debarment

Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting noncompliance.

Reporting

Monthly claims for reimbursement were prepared and submitted to the Indiana Department of Education by a single employee without oversight or a secondary review process to prevent, or detect and correct, errors.

Procurement and Suspension and Debarment

The School Corporation is a member of the Southern Indiana Commodity Cooperative (SICC) who bids food and dairy products on behalf of its members. Although the SICC properly bid and contracted for the food and dairy products, the School Corporation did not have oversight or a review process in place to ensure that the products purchased were billed in accordance with the bid/contract prices.

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). . . ."

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Reporting and the Procurement and Suspension and Debarment compliance requirements.

Effect

The failure to establish an effective system of internal controls could have enabled noncompliance with the grant agreement and the Reporting and the Procurement and Suspension and Debarment compliance requirements.

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 with the grant agreement and the Reporting and the Procurement and Suspension and Debarment compliance requirements.

Views of Responsible Officials

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

FINDING 2022-006

Subject: Special Education Cluster (IDEA) - Activities Allowed
or Unallowed, 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): 21611-047-PN01, 21619-047-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

During fiscal year 2020-2021, the School Corporation was a member as well as the fiscal agent of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Cooperative (Cooperative). The Cooperative operated the special education programs and spent the federal money on behalf of its member schools. During fiscal year 2021-2022, the School Corporation operated their own special education programs.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

A sample of 60 expenditures made from the School's Special Education funds during the audit period was selected for testing. After providing the sample list to the School Corporation in order to obtain the supporting documentation for the selected expenditures, the School divulged that documentation could not be provided for the fringe benefit transactions. Of the sample of 60, 28 transactions were fringe benefit claims for which there was no detail to identify the employees included in the payment amount. In addition, vouchers could not be located for another 6 transactions. As a result, the 34 expenditures, totaling \$5,175, could not be verified to be allowable activities or costs for the Special Education program. Due to the number and magnitude of exceptions identified, per auditor judgment, we concluded it would not be appropriate to examine the remaining 26 expenditures.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

34 CFR 300.202(a) states:

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

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

34 CFR 300.208 states:

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

34 CFR 300.800 states:

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

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

2 CFR 200.403 states in part:

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

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

Cause

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

Known questioned costs of \$5,175 were identified, as detailed in *Condition and Context*.

Recommendation

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

Subject: Special Education Cluster (IDEA) - Cash Management
Federal Agency: Department of Education
Federal Program: Special Education Cluster (IDEA)
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 21611-047-PN01, 21619-047-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

During fiscal year 2020-2021, the School Corporation was a member as well as the fiscal agent of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Cooperative (Cooperative). The Cooperative operated the special education programs and spent the federal money on behalf of its member schools. During fiscal year 2021-2022, the School Corporation operated their own special education programs.

Two reimbursement requests were received from the Indiana Department of Education during the audit period. The School Corporation was unable to provide supporting documentation for the costs included on each of the reimbursement requests. As a result, we were unable to verify the program funds were expended prior to requesting reimbursement.

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:

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.334 states in part:

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

2 CFR 200.305(b)(3) states in part: "Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-008

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years: 19611-047-PN01, 19619-047-PN01,
20611-045-PN01, 20619-045-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation was a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Cooperative (Cooperative). During fiscal year 2020-2021, the Cooperative operated as the special education programs and spent the federal money on behalf of all its member schools. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

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

The Non-Public Proportionate Share expenditures for the 19611-047-PN01, 19619-047-PN01, 20611-045-PN01, and 20619-045-PN01 grant awards could not be verified for the individual member schools. Proportionate Share Monitoring Reports and other supporting documentation for amounts reported to the IDOE for earmarking were not retained for audit. As such, we were unable to identify the minimum amount per the grant awards was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance was isolated to the 19611-047-PN01, 19619-047-PN01, 20611-045-PN01, and 20619-045-PN01 grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.403 states in part:

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

(g) Be adequately document. . . ."

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

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls, as well as appropriately document and identify federal award expenditures to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-009

Subject: Special Education Cluster (IDEA) - Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 21611-047-PN01, 21619-047-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls to ensure transactions made from Special Education funds occurred within the appropriate period of performance. Claims for the Special Education programs were paid without an appropriate level of review or oversight to ensure the expenditures charged to each grant were within the allowed time frame. Although the reimbursement requests submitted to the Indiana Department of Education were prepared by the Business Director and approved by the Special Education Director, the School was unable to provide tangible audit evidence of this review and approval process, which may have included a review of the costs included on each request to verify they were within the correct period of performance.

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 developed nor implemented a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Period of Performance 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: Title I Grants to Local Educational Agencies - Activities
Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A190014SIG

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls to ensure that proper documentation was retained for audit. A sample of forty transactions charged to the Title I grants during the audit period was selected for testing. The following errors were noted:

1. The School Corporation was unable to provide supporting documentation for three transactions, totaling \$6,272. As such, these transactions were unable to be verified as allowable activities or costs for the Title I program.
2. Seven transactions, totaling \$887, were for fringe benefit claims; however, the supporting documentation provided did not include details to identify the employees for which the benefits were paid. As a result, we were unable to determine if the payments were on behalf of allowable staff related to the Title I program.
3. Four transactions selected were for a Title I employee's payroll who did not have an approved hourly rate. The total amount of the four transactions paid to that employee was \$4,261.
4. For two transactions tested, the payroll check register reported the employee was paid for more hours than was reported on their approved timecard. The additional amount paid to the employee was \$1,374.

Due to the number and magnitude of exceptions identified, per auditor judgment, we concluded it would not be appropriate to examine the remaining twenty-four transactions. The errors noted above were considered questioned costs.

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

2 CFR 200.403 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); . . .

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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. . . ."

2 CFR 200.309 states:

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

Cause

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

Effect

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

Questioned Costs

Known questioned costs of \$12,794 were identified, as detailed in *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2022-011

Subject: Title I Grants to Local Educational Agencies - Level of Effort-Maintenance of Effort, Earmarking
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A190014SIG

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

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

Level of Effort-Maintenance of Effort

Maintenance of Effort is a district-level test that determines whether the School Corporation is providing a consistent level of financial support to public schools from year-to-year. This rule ensures that the School does not use Title I funds to shore up reductions in state and local support for public education. The Indiana Department of Education (IDOE) performs the Maintenance of Effort calculation utilizing Form 9 information provided by the School. As such, the amounts submitted to the IDOE to be used in the computation are tested to ensure they were recorded properly in the School's records as to the account and object code.

In the fiscal years 2020-2021 and 2021-2022, 60 transactions were sampled each year to ensure the disbursements were posted to the proper account and object code. For 16 of the 60 transactions selected in 2020-2021, as well as 21 of the 60 transactions selected in 2021-2022, appropriate supporting documentation was not provided for audit. As a result, the 37 disbursements could not be verified as to whether they were posted to the proper accounts and object codes.

Earmarking

The School Corporation did not expend the required minimum amount from grant S010A190014 for parent involvement activities. The School also did not have policies or procedures in place to properly monitor the expenses for the Parent Involvement set-aside to ensure the mandatory amounts were spent for both the S010A190014 and the S010A200014 grants.

In addition, the Homeless set-asides for grants S010A190014 and S010A200014 were not monitored to ensure expenditures were tracked for those students designated as homeless.

The lack of internal controls and noncompliance were systemic 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). . . ."

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.400 states in part:

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

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

2 CFR 200.403 states in part:

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

(g) Be adequately documented. . . ."

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

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

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

Cause

Management had not developed a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective system of internal controls and retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with 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 internal controls to ensure compliance and comply with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-012

Subject: Title I Grants to Local Education 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, S010A190014SIG
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is required to implement policies and procedures regarding test security for assessments, which includes providing test administration and test security training to appropriate staff prior to testing. A sample of 25 staff members required to receive the training were selected for testing. Of the 25 selected, documentation was not provided for 8 staff members to verify they received the appropriate training.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 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 200.207(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(b) states: "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."

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Assessment Program Manual, Section 9, Part D states in part:

"Every school corporation or other test administration location that administers tests under the Indiana Assessment System **must** have a locally developed written test security policy. While IDOE does not require school board approval of this policy, corporations should follow local level practices to determine if this policy needs to be approved by the local school board. The test security policy developed must:

- Specify that secure test materials should not be delivered to school buildings more than one week (preferably less) in advance of test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the TAM) more than 4 hours in advance of test administration; and . . .

Locally developed written test security policies must include, but not be limited to, the following description regarding how the corporation will: . . .

- Ensure all appropriate staff receive test administration and test security training prior to testing. . . .
- Define and clearly communicate at least once annually for all appropriate staff how staff implementation of test administration and test security standards and procedures will be monitored by school administrators . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective system of internal controls and retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-013

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A190014SIG

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation submits the October Real Time report each year to the Indiana Department of Education (IDOE). This data is used to report the School's enrollment and poverty (socioeconomic) status of the students enrolled in each school. The School had not properly designed or implemented a system of internal controls to ensure a proper review and approval of the October Real Time report took place before submission to the IDOE.

Enrollment and poverty numbers for any non-public schools are manually entered into the Title I Application by the School. Summary data of non-public enrollment and poverty status was provided to the School by the participating non-public school. The enrollment counts and the poverty counts included in the summary data should have been supported by non-public school records, such as a list of students and their poverty status. The School did not retain the supporting documentation for fiscal year 2020-2021 for the nonpublic school.

The lack of internal controls was systemic throughout the audit period. The failure to retain supporting documentation for non-public enrollment and poverty counts was isolated to the 2020-2021 school year.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 200.78(a)(1) states:

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

Cause

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

Effect

The failure to establish an effective system of internal controls and retain and provide appropriate supporting documentation for 2020-2021 enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Eligibility compliance requirement could result in the loss of future federal funds to the School Corporation. The failure to establish an effective system of internal controls in 2021-2022 could have enabled 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 to ensure documentation be maintained and made available for audit and comply with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2022-014

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,
S010A190014SIG

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The system of internal controls over the applicable reports as established by the School Corporation was not properly implemented, nor was it operating effectively to ensure that sufficient audit evidence was maintained to support the requests for reimbursement, as well as the Final Expenditure Reports as submitted by the School.

The fiscal years 2020-2021 and 2021-2022 Final Expenditure Reports and three reimbursement requests were selected for testing. The School was unable to provide for audit, documentation to support the underlying data accumulated and summarized in each of the Final Expenditure Reports, or for the three reimbursement requests. The reported data could not be traced to records that accumulate or summarize the data; therefore, the accuracy and completeness of the reports could not be verified. The Title I Director approved the requests for reimbursement and the Final Expenditure Reports prior to submission; however, this review was not effective.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

2 CFR 200.302(b) states in part:

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

. . .

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 an effective system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to 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 2022-015

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A190014SIG

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition and Context

The Title I program requires that public school corporations provide services to non-public schools that are allowable and comparable to those provided to public school students and teachers participating in the program. The School Corporation had not properly designed or implemented a system of internal controls to ensure planned services were being provided to the private school children.

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Views of Responsible Officials

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

FINDING 2022-016

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
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 Numbers): S425D210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation purchased an All Purpose Laser Machine, totaling \$14,523, with Education Stabilization Funds. This asset was 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), 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. In addition, a physical inventory had not been taken in the past two years and 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 . . ."

Cause

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective system of internal controls 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 2022-017

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

Condition and Context

The School Corporation had not designed nor implemented a system of internal controls to ensure that the four Elementary and Secondary School Emergency Relief (ESSER) annual data reports required to be filed during the audit period were complete and accurate prior to submission. Each of the reports was prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

Furthermore, the reported data on three of the reports as noted below could not be traced back to records that accumulate or summarize the data; therefore, the accuracy and completeness of the reports could not be verified.

ESSER I, Year 1 Report

The Full-Time Employee (FTE) Positions as of March 13, 2020, and FTE Positions as of September 30, 2020, were not able to be verified to the School's records.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

ESSER I, Year 2 Report

The Key Line Item, Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) - Personnel Services - Salary was overstated by \$950. An additional Key Line Item, Operational Continuity and Other Allowed Uses - purchased professional services was understated by \$138,739.

ESSER II, Year 1 Report

The Key Line Item, Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) - Purchased Professional and Technical Services was understated by \$111,290. An additional Key Line Item, Meeting Students' Academic, Social, Emotional, and Other Needs (Excluding Mental Health Supports) - Supplies was understated by \$6,500.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

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

2 CFR 200.302(b) states in part:

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

. . .

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

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

Management had not designed nor implemented a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2022-018

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

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425C, 84.425D

Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance.

Per inquiry with the School Corporation, one employee prepares the reimbursement requests, and another employee reviews the requests to ensure all costs are correct and allowable before giving their approval. Five requests for reimbursement were submitted to the Indiana Department of Education during the audit period. Of the five reimbursement requests, tangible audit evidence was not provided to support the review and approval of an employee other than the preparer for four of the requests.

NORTH LAWRENCE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 established an effective system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective system of internal controls could have enabled non-compliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

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 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.

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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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: FY2020

Status of Audit Finding: Corrective action was partially completed.

Transactions posted to the ledger are reviewed by the Treasurer and Deputy Treasurer as of June 2022. The monthly bank reconcilements are prepared by Deputy Treasurer and reviewed by the Treasurer as of October 2022. All information entered into Gateway will be reviewed by the Treasurer and the Deputy Treasurer as of December 2022.

FINDING 2020-002

Fiscal year in which the finding initially occurred: FY2020

Status of Audit Finding: Corrective action was not taken.

All information entered into Gateway will be reviewed by the Treasurer and the Deputy Treasurer as of December 2022.

FINDING 2020-003

Fiscal year in which the finding initially occurred: FY2020

Status of Audit Finding: Corrective action was taken.

A separate fund for prepaid account balances was established as of January 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Robyn Muder, Director of Business
Contact Phone Number: 812-279-3521

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

Internal controls were updated in 2022. All supporting documentation is attached to the transfer and kept in a file for more efficient and effective business practices. North Lawrence Community Schools has been recording reimbursement claims in a timely manner since 2022. The monthly bank reconciliements are prepared by Deputy Treasurer and reviewed by the Treasurer as of October 2022. All information entered into Gateway will be reviewed by the Treasurer and the Deputy Treasurer as of December 2022.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure in 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Robyn Muder, Director of Business
Contact Phone Number: 812-279-3521

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

Internal controls were updated in 2022. The Treasurer and Deputy Treasurer will review all transactions. All supporting documentation is attached to vouchers for more efficient and effective business practices. The financial software was updated in January of 2023 to keep more information retained. In 2022, the Treasurer made a practice to enter all program names and identifying numbers in the financial system to eliminate errors.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure in 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Robyn Muder, Director of Business
Contact Phone Number: 812-279-3521

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

Internal controls were updated in 2022. All supporting documentation is attached to vouchers for more efficient and effective business practices. The financial software was updated in January of 2023 to keep fringe benefit information retained.

North Lawrence Community Schools has implemented a new procedure to pay mileage as a vendor payment instead of reimbursement through payroll to keep it separate from employees' gross earnings.

North Lawrence Community Schools has implemented new practice to send all salary employees contracts which must be signed and kept in their personnel files. North Lawrence Community Schools has implemented new practices to prevent employees from being off of the board approved hourly pay schedule.

North Lawrence Community Schools no longer utilizes paper timesheets. We now use an electronic time clock system.

North Lawrence Community Schools is updating direct deposit information for all employees.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure in 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: Robyn Muder, Director of Business
Contact Phone Number: 812-279-3521

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

Supporting documentation for all transfers out of the Food Service account are kept in a labeled folder.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure in 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-005

Contact Person Responsible for Corrective Action: Camryn Fender, Director of Food Service
Contact Phone Number: 812-279-3521

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

The claims for reimbursement are first checked with the Food Management Company then sent to the NLCS Food Service Administrative Assistant. Once the Food Service Admin Assistant double checks the claims, it is sent to the Food Service Director for approval. North Lawrence Community Schools has a procurement plan in place as of March 2023.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure in 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-006

Contact Person Responsible for Corrective Action: Melissa Hinds, Director of Special Education
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to retaining proper documentation for an audit for Activities allowed or un-allowed, and allowable cost/costs, a policy and procedure will be implemented regarding the documentation and retention of records. Review and approval of activities reimbursed by the Special Education Grants to States and Special Education Preschool Grants will have the appropriate backup documentation (e.g. invoices, purchase orders, contracts, receipts) to ensure alignment to the IDOE grant, as well as documentation that funds were encumbered within the financial system by the respective period of performance end date. As of July 2022, these activities began being reviewed and approved by two separate individuals.

Anticipated Completion Date: July 2022



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CORRECTIVE ACTION PLAN

FINDING 2022-007

Contact Person Responsible for Corrective Action: Melissa Hinds, Director of Special Education
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to cash management for the Special Education Cluster (IDEA), the District's Treasurer and Special Education Director will review all cash balances quarterly to verify compliance with the grant agreement. As of July 2022, internal controls were put into place to ensure supporting documentation was attached to all reimbursements.

Anticipated Completion Date: March 2023



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CORRECTIVE ACTION PLAN

FINDING 2022-008

Contact Person Responsible for Corrective Action: Melissa Hinds, Director of Special Education
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

A print out of the current expenses and balances will be reviewed by the Special Education Director and District's Treasurer before the cash request is emailed to the state to ensure there is proper compliance with grant agreement and the matching, level of effort, earmarking and reporting compliance

Anticipated Completion Date: February 2023



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CORRECTIVE ACTION PLAN

FINDING 2022-009

Contact Person Responsible for Corrective Action: Melissa Hinds, Director of Special Education
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

As of July 2022, internal controls were put into place to ensure supporting documentation was attached to all reimbursements.

Anticipated Completion Date: July 2022



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CORRECTIVE ACTION PLAN

FINDING 2022-010

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The school district will develop a plan for tracking employee pay and timecard alignment. The district will ensure that these documents are available to auditors. All expenditures will have a cover sheet with identifying information, will be attached to the proper invoice(s), signed by 2 parties, and hard copies will be kept on file for audit purposes in folders attached to each grant.

Anticipated Completion Date:

North Lawrence Community Schools will implement this procedure by June 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-011

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The district has established a process for tracking expenses for homeless and parental involvement funds. In addition, a process has been established to ensure all expenses are coded properly.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure beginning in March 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-012

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The district will scan and save all testing security agreements for all staff. The test coordinator will be responsible for ensuring that all relative staff complete training and sign testing agreements.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure beginning in September 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-013

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The district will develop a system for reviewing the Real Time report to ensure accuracy. In addition, the district will maintain a copy of the participating nonpublic school's summary data related to enrollment and poverty status.

Anticipated Completion Date:

North Lawrence Community Schools will implement this procedure by June 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-014

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
The school district has established a process for reviewing reimbursements and district expense records to ensure alignment.

Anticipated Completion Date:
North Lawrence Community Schools implemented this procedure beginning in January 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-015

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
The school district will establish a process for monitoring the services provided to students in the nonpublic school.

Anticipated Completion Date:
North Lawrence Community Schools will implement this procedure by June 2023.

CORRECTIVE ACTION PLAN



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FINDING 2022-016

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist

Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The school district will establish a process to ensure compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Anticipated Completion Date:
North Lawrence Community Schools will implement this procedure by June 2023.



Bedford Middle School • Bedford North Lawrence High School
Gateway Academy • Lincoln Elementary • Needmore Elementary • North Lawrence Career Center
Parkview Elementary • Playful Pathways • Oolitic K-8 Campus • Shawswick Elementary





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CORRECTIVE ACTION PLAN

FINDING 2022-017

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist

Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The school corporation will develop a protocol for ensuring that all documentation and records regarding Federal Grants will be maintained for a period of three years.

Anticipated Completion Date:
North Lawrence Community Schools implemented this procedure beginning in September 2022.



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CORRECTIVE ACTION PLAN

FINDING 2022-018

Contact Person Responsible for Corrective Action: Tricia Malone Hudson, District Curriculum Specialist
Contact Phone Number: 812-279-3521

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

The school corporation will develop a series of checkpoints for federal grants. This includes multiple staff reviews and approvals prior to purchases. In addition, the reimbursement process includes multiple reviews and approvals prior to submission.

Anticipated Completion Date:

North Lawrence Community Schools implemented this procedure beginning in January 2023.



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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.