

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LEBANON COMMUNITY SCHOOL CORPORATION

BOONE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
04/27/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Moore	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Robert L. Taylor	07-01-18 to 06-30-19
	Dr. Jon A. Milleman	07-01-19 to 06-30-21
President of the School Board	Elizabeth Keith	07-01-18 to 12-31-18
	Robert Wirey	01-01-19 to 12-31-19
	Michael Burtron	01-01-20 to 12-31-20
	Elizabeth Keith	01-01-21 to 06-30-21



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 LEBANON COMMUNITY SCHOOL
CORPORATION, BOONE 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 Lebanon Community School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 13, 2021, 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.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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)

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.


Paul D. Joyce, CPA
State Examiner

April 13, 2021



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 LEBANON COMMUNITY SCHOOL CORPORATION, BOONE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lebanon Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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 Adverse Opinion on the Special Education Cluster (IDEA)

As described in items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Equipment and Real Property Management, Period of Performance, and Procurement and Suspension and Debarment that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Adverse Opinion on the Special Education Cluster (IDEA)

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Special Education Cluster (IDEA)* paragraph, the School Corporation did not comply in all material respects, with the types of 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, 2018 to June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2018 to June 30, 2020.

Other Matters

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

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance 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.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated April 13, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.


Paul D. Joyce, CPA
State Examiner

April 13, 2021

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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.

LEBANON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program							
Indiana Department of Education							
		10.553					
FY 2018-19 National School Breakfast Program			FY19	\$ -	\$ 188,502	\$ -	\$ -
FY 2019-20 National School Breakfast Program			FY20	-	-	-	162,896
COVID-19 - School Breakfast Program		10.553					
FY 2019-20 National School Breakfast Program			FY20	-	-	-	10,327
Total - School Breakfast Program				-	188,502	-	173,223
National School Lunch Program							
Indiana Department of Education							
		10.555					
FY 2018-19 National School Lunch Program			FY19	-	636,040	-	-
FY 2019-20 National School Lunch Program			FY20	-	-	-	584,339
Commodities			FY19	-	122,245	-	-
Commodities			FY20	-	-	-	90,835
Subtotal - National School Lunch Program				-	758,285	-	675,174
COVID-19 - National School Lunch Program							
		10.555					
FY 2019-20 National School Lunch Program			FY20	-	-	-	36,434
Total - National School Lunch Program				-	758,285	-	711,608
Summer Food Service Program for Children							
Indiana Department of Education							
		10.559					
FY 2018-19 Summer Food Service Program			FY19	-	19,549	-	-
COVID-19 - Summer Food Service Program for Children							
		10.559					
FY 2019-20 Summer Food Service Program			FY20	-	-	-	114,893
Total - Summer Food Service Program for Children				-	19,549	-	114,893
Total - Child Nutrition Cluster				-	966,336	-	999,724
Total - Department of Agriculture				-	966,336	-	999,724
Department of Education							
Special Education Cluster (IDEA)							
Indiana Department of Education							
		84.027					
Special Education_Grants to States			FY19	-	868,435	-	-
IDEA PART B 611			FY20	-	-	-	803,014
IDEA PART B 611				-	-	-	-
Total - Special Education_Grants to States				-	868,435	-	803,014

LEBANON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education_Preschool Grants IDEA 619 IDEA 619	Indiana Department of Education	84.173	FY19 FY20	- -	27,827 -	- -	- 27,582
Total - Special Education_Preschool Grants				-	27,827	-	27,582
Total - Special Education Cluster (IDEA)				-	896,262	-	830,596
Title I Grants to Local Educational Agencies TITLE I TITLE I	Indiana Department of Education	84.010	FY19 FY20	- -	382,234 -	- -	- 406,763
Total - Title I Grants to Local Educational Agencies				-	382,234	-	406,763
Title I State Agency Program for Neglected and Delinquent Children and Youth TITLE I - DELIQUENT GRANT TITLE I - DELIQUENT GRANT	Indiana Department of Education	84.013	FY19 FY20	- -	31,954 -	- -	- 30,053
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	31,954	-	30,053
Supporting Effective Instruction State Grants TITLE II TITLE II	Indiana Department of Education	84.367	FY19 FY20	- -	73,891 -	- -	- 118,150
Total - Supporting Effective Instruction State Grants				-	73,891	-	118,150
Total - Department of Education				-	1,384,341	-	1,385,562
<u>Department of Health and Human Services</u> Medicaid Cluster Medical Assistance Program Medicaid Cluster Medical Assistance Program	Indiana Department of Education	93.778		-	98,138	-	90,831
Total - Medicaid Cluster				-	98,138	-	90,831
Total - Department of Health and Human Services				-	98,138	-	90,831
Total federal awards expended				\$ -	\$ 2,448,815	\$ -	\$ 2,476,117

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

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

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. 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. Boone-Clinton-North West Hendricks Joint Services Cooperative

The School Corporation is a member of the Boone-Clinton-North West Hendricks Joint Services Cooperative and serves as its fiscal agent. 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.

LEBANON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor 's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Unmodified Adverse
84.367	Supporting Effective Instruction State Grants	Unmodified

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

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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Special Education Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20
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

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

The School Corporation was a member of a joint service cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The Cooperative accounted for state, local, and federal funds in a single fund. The fund did not separately account for each of the funding sources. This made it difficult to identify which expenditures were from federal funds, or to identify expenditures by federal program, award numbers, or years. Expenditures for activities and costs that would not be allowable with federal funds were found in two claims and three claims for fiscal years 2018-2019 and 2019-2020, respectively; however, we could not determine if they were paid with federal, state, or local funds. In addition, the Cooperative was not able to provide records that would support the activities performed by the employees whose salaries were charged to the grant.

The lack of internal controls and noncompliance were systemic issues, which occurred 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). . . ."

LEBANON COMMUNITY SCHOOL CORPORATION
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 documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

LEBANON COMMUNITY SCHOOL CORPORATION
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 2020-002

Subject: Special Education Cluster - Cash Management
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation was a member of a joint service cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Cash Management compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the cash management requirements. The Cooperative did not have adequate procedures in place to ensure that services were rendered and costs were incurred and paid prior to the School Corporation's request for reimbursement from the IDOE.

The Cooperative prepared a yearly budget and charged each member school a quarterly membership fee based on the budget. These membership fees were used to pay the special education costs of the Cooperative. The membership fees were due at the beginning of each quarter and were paid in advance of services rendered. The Cooperative did not perform a reconciliation of the budget to the actual program expenditures. Based on these procedures, the School Corporation paid the Cooperative and requested reimbursement from the IDOE for special education services in advance of the services provided.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the cash management requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the cash management requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2020-003

Subject: Special Education Cluster - Equipment Management
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation was a member of a joint service cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the equipment requirements. The Cooperative did not have adequate procedures in place to ensure that equipment purchased with grant funds was properly recorded and maintained in the School Corporation's equipment records. The Cooperative also did not maintain records for the disposition of equipment purchased with federal grant funds.

The lack of internal controls and noncompliance were systemic issues, which occurred 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 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . ."

(d) *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. . . ."

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the equipment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the equipment requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with 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 2020-004

Subject: Special Education Cluster - Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The School Corporation was a member of a joint service cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Period of Performance compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the period of performance requirements. The Cooperative did not have adequate procedures in place to ensure that costs were charged to the programs only during the period of performance, or that all obligations were liquidated within 90 days of the end of the period of performance.

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

The Cooperative accounted for state, local, and federal funds in a single fund. The fund did not separately account for each of the funding sources, which made it difficult to differentiate between individual grant awards, programs, or project years. As a result, the School Corporation's compliance with period of performance requirements could not be tested.

The lack of internal controls and failure to maintain and provide adequate records and documentation to support the School Corporation's compliance with period of performance requirements 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 200.309 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."

2 CFR 200.343(b) states:

"Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that adequate records and documentation would be available to support compliance with the grant agreement and the period of performance requirements.

Effect

The failure to establish an effective internal control system and failure to maintain and provide records and documentation of expenditures by grant award, program, and years prevented the determination of the School Corporation's compliance with the Period of Performance compliance requirement.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure that records and documentation will be maintained and made available for audit related to 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 2020-005

Subject: Special Education Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY19, FY20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation was a member of a joint service cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the Procurement and Suspension and Debarment compliance requirement. Because the School Corporation's share of special education program payments to the Cooperative was billed as membership fees, the Cooperative did not consider the expenditures associated with the Cooperative to be from federal grant funds. Therefore, the Cooperative did not establish internal controls to ensure compliance, nor did they perform procedures to comply, with the Procurement and Suspension and Debarment compliance requirement.

The School Corporation made purchases with special education funds separate from the joint services of which they were a part. The School Corporation was not obtaining required quotes for purchases which qualified as small purchase procurements items.

The School Corporation was not checking whether applicable vendors were not suspended or debarred as required prior to making purchases using the special education funds.

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

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.318(i) states:

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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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.



**Administration Center
Office of the Superintendent**
1810 North Grant Street
Lebanon, IN 46052
Phone: 765-482-0380
Fax: 765-483-3053
www.leb.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred:2018

Status of Audit Finding:

Notes have been made and filed on how to correctly report the School Breakfast Program, National School Lunch Program, the Special Education Grants to States and the WIOA Program Grant.

These notes and the audit report details will be used as a reference when filing the next SEFA report.

Dr. Jon A. Milleman
Superintendent

Charles L. Tait
Assistant Superintendent

Diane Lee Scott
Director of Curriculum

Bronsen Smith
Director of Technology

Chad Martin
Director of Operations & Resources

Kari K. Ottinger
Director of Assessment

Jen Todderud
Director of Communications



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Lebanon, IN 46052
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Fax: 765-483-3053
www.leb.k12.in.us

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

The Treasurer will act as the reviewer and sign
The Asst. Supt. will act as the preparer and sign

Dr. Jon A. Milleman
Superintendent

Charles L. Tait
Assistant Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 x 31811

Views of Responsible Official: Agree with the finding

Description of Corrective Action Plan: Federal Funds will not be used to pay membership to Boone Clinton Northwest Hendricks Jt. Services.

Anticipated Completion Date: 07/01/2021

Dr. Jon A. Milleman
Superintendent

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Kristen Scott
Career Engagement Coordinator



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FINDING 2020-002

Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 x 31811

Views of Responsible Official: Agree with the Finding

Description of Corrective Action Plan:

Federal Funds will not be used to pay membership to Boone Clinton Northwest Hendricks Jt. Services.

Anticipated Completion Date: 07/01/2021

Dr. Jon A. Milleman
Superintendent

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Fax: 765-483-3053
www.leb.k12.in.us

FINDING 2020-003

Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 x 31811

Views of Responsible Official: Agree with finding

Description of Corrective Action Plan:

Federal Funds will not be used to pay membership to Boone Clinton Northwest Hendricks Jt. Services.

Anticipated Completion Date:07/01/2021

Dr. Jon A. Milleman
Superintendent

Diane Lee Scott
Director of Curriculum

Kari K. Ottinger
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Bronsen Smith
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Career Engagement Coordinator



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Lebanon, IN 46052
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www.leb.k12.in.us

FINDING 2020-004

Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 x31811

Views of Responsible Official: Agree with Finding

Description of Corrective Action Plan:

Federal Funds will not be used to pay membership to Boone Clinton Northwest Hendricks Jt. Services.

Anticipated Completion Date: 07/01/2021

Dr. Jon A. Milleman
Superintendent

Diane Lee Scott
Director of Curriculum

Kari K. Ottinger
Director of Assessment

Bronsen Smith
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Career Engagement Coordinator



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Fax: 765-483-3053
www.leb.k12.in.us

FINDING 2020-005 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 x 31811

Views of Responsible Official: Agree with Finding

Description of Corrective Action Plan:

Federal Funds will not be used to pay membership to Boone Clinton Northwest Hendricks Jt. Services.

Federal Funds will not be used to pay contract services.

Anticipated Completion Date: 07/17/2021

Dr. Jon A. Milleman
Superintendent

Diane Lee Scott
Director of Curriculum

Kari K. Ottinger
Director of Assessment

Bronsen Smith
Director of Technology

Jen Todderud
Director of Communications

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Assistant Superintendent

Chad Martin
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Kristen Scott
Career Engagement Coordinator

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/>.