

SCHOOL DISTRICT OF THORP

Thorp, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2019

SCHOOL DISTRICT OF THORP

TABLE OF CONTENTS For the Year Ended June 30, 2019

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance for Each Major Federal and Major State Program; Report on Internal Control Over Compliance; and Report on the Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	3 – 5
Schedule of Expenditures of Federal Awards	6
Schedule of Expenditures of State Awards	7
Notes to Schedules of Expenditures of Federal and State Awards	8 – 9
Schedule of Findings and Questioned Costs	10 – 16

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Thorp
Thorp, Wisconsin

We have audited, in accordance with the 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 statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Thorp (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
November 26, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Thorp
Thorp, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the School District of Thorp's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and major state programs for the year ended June 30, 2019. The District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and major state 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; 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); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* 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 or a major state program occurred. An audit includes examining, on a test basis, evidence about the District'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 and major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major federal and major state program is not modified with respect to this matter.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, 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 District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-005 to be a significant deficiency.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Thorp, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District of Thorp's basic financial statements. We issued our report thereon dated November 26, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Eau Claire, Wisconsin
November 26, 2019

SCHOOL DISTRICT OF THORP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Agency/ Program Title	CFDA Number	Pass-Through Agency	Pass-Through Agency ID	Revenues				Expenditures Grantor Share
				(Accrued) Deferred Beginning Balance	Cash Received (Returned)	Accrued (Deferred) Ending Balance	Total Revenues	
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
School Breakfast Program	10.553	WI DPI	2019-105726-SB-Severe-546	\$ -	\$ 52,401	\$ 855	\$ 53,256	\$ 53,256
National School Lunch Program	10.555	WI DPI	2019-105726-NSL-547	-	129,833	1,863	131,696	131,696
National School Lunch Program - Commodities	10.555	WI DPI	N/A	-	20,602	-	20,602	20,602
Total CFDA Number 10.555				-	150,435	1,863	152,298	152,298
Summer Food Service Program for Children	10.559	WI DPI	2019-105726-SFSP-586	(6,165)	6,165	6,104	6,104	6,104
Total Child Nutrition Cluster				(6,165)	209,001	8,822	211,658	211,658
Total of U.S. Department of Agriculture				(6,165)	209,001	8,822	211,658	211,658
U.S. DEPARTMENT OF EDUCATION								
Special Education Cluster (IDEA)								
Special Education - Grants to States	84.027	WI DPI	2019-105726-IDEA-FT-341	(198,216)	300,263	86,006	188,053	188,053
Special Education - Preschool Grants	84.173	WI DPI	2019-105726-IDEA-PS-347	(6,367)	12,414	-	6,047	6,047
Total Special Education Cluster (IDEA)				(204,583)	312,677	86,006	194,100	194,100
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-105726-TIA-141	(135,134)	306,655	47,560	219,081	219,081
Career and Technical Education - Basic Grants to States	84.048	CESA 10	2019-105726-CTE-400	-	-	8,662	8,662	8,662
Rural Education	84.358	WI DPI	2019-105726-RLIS-368	(10,998)	21,998	-	11,000	11,000
Rural Education	84.358	N/A	N/A	-	5,786	-	5,786	5,786
Total CFDA Number 84.358				(10,998)	27,784	-	16,786	16,786
English Language Acquisition State Grants	84.365	CESA 10	2019-105726-TIIIA-391	-	1,301	717	2,018	2,018
Supporting Effective Instruction State Grants	84.367	CESA 10	2019-105726-TIIA-365	-	30,893	11,594	42,487	42,487
Student Support and Academic Enrichment Program	84.424	WI DPI	2019-105726-TIVA-381	-	14,641	-	14,641	14,641
Total of U.S. Department of Education				(350,715)	693,951	154,539	497,775	497,775
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Medicaid Cluster								
Medical Assistance Program (School Based Services)	93.778	WI DHS / CESA 10	44233700	(48,914)	48,914	65,362	65,362	65,362
Total Medicaid Cluster				(48,914)	48,914	65,362	65,362	65,362
TOTAL FEDERAL AWARDS				\$ (405,794)	\$ 951,866	\$ 228,723	\$ 774,795	\$ 774,795

See accompanying notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019

State Agency/ Pass-Through Agency/ Program Title	State I.D. Number	Pass-Through Agency ID	(Accrued) Deferred Beginning Balance	Cash Received	Accrued (Deferred) Ending Balance	Total Revenues	Total Expenditures
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Special Education and School Age Parents							
Internal District Program	255.101	105726-100	\$ -	\$ 168,441	\$ -	\$ 168,441	\$ 168,441
Participant in Package Programs at CESA #10	255.101	Unknown	-	25,871	-	25,871	25,871
Total Special Education and School Age Parents Program			-	194,312	-	194,312	194,312
State School Lunch Aid	255.102	105726-107	-	3,451	-	3,451	3,451
Common School Fund Library Aid	255.103	105726-104	-	30,854	-	30,854	30,854
General Transportation Aid For Pupils	255.107	105726-102	-	17,833	-	17,833	17,833
WI School Day Milk Program	255.115	105726-109	-	2,735	-	2,735	2,735
General Equalization Aids	255.201	105726-116	(64,358)	3,865,518	57,146	3,858,306	3,858,306
Sparsity Aid	255.212	105726-162	-	237,200	-	237,200	237,200
Personal Electronic Computing Devices	255.296	105726-175	-	4,750	-	4,750	4,750
State School Breakfast Aid	255.344	105726-108	-	2,978	-	2,978	2,978
Early College Credit Program	255.445	105726-178	-	2,333	-	2,333	2,333
Student Achievement Guarantee in Education	255.504	105726-160	-	150,116	-	150,116	150,116
Educator Effective Evaluation System Grants Public	255.940	105726-154	(3,840)	8,480	-	4,640	4,640
Per Pupil Aid	255.945	105726-113	-	376,704	-	376,704	376,704
High Cost Transportation Aid	255.947	105726-114	-	48,254	-	48,254	48,254
Career and Technical Education Incentive Grants	255.950	105726-152	-	16,000	-	16,000	16,000
Assessments of Reading Readiness	255.956	105726-166	-	980	-	980	980
Aid for Special Education Transition Grant BBL	255.960	105726-168	-	1,000	-	1,000	1,000
Total Wisconsin Department of Public Instruction			(68,198)	4,963,498	57,146	4,952,446	4,952,446
DEPARTMENT OF WORKFORCE DEVELOPMENT							
Cooperative Educational Service Agency #10							
Youth Apprenticeship Grant	445.107	Unknown	-	-	24,250	24,250	24,250
DEPARTMENT OF JUSTICE							
School Safety	455.206	2018-SSI-01 13720	-	-	40,000	40,000	40,000
TOTAL STATE AWARDS			<u>\$ (68,198)</u>	<u>\$ 4,963,498</u>	<u>\$ 121,396</u>	<u>\$ 5,016,696</u>	<u>\$ 5,016,696</u>

See accompanying notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state award activity of the School District of Thorp (the “District”) under programs of the federal and state government for the year ended June 30, 2019. The information in these schedules 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) and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position or changes in net position of the School District of Thorp.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 3 – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

Eligible costs for special education under project 011 were \$897,624 for the year ended June 30, 2019.

NOTE 4 – OVERSIGHT AGENCY

The District’s federal oversight agency for audit is the U.S. Department of Education. The District’s state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 5 – PASS-THROUGH AGENCIES

The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services
CESA 10	Cooperative Educational Services Agency #10

SCHOOL DISTRICT OF THORP

NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

NOTE 6 – INDIRECT COST RATE

The District has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- > Material weakness (es) identified? X yes no
- > Significant deficiency (ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- | | Federal Programs | State Programs |
|--|--|--|
| > Material weakness(es) identified? | <u> X </u> yes <u> </u> no | <u> </u> yes <u> X </u> no |
| > Significant deficiency (ies) identified? | <u> </u> yes <u> X </u> none reported | <u> X </u> yes <u> </u> none reported |

Type of auditor's report issued on compliance for major programs: *Unmodified*

	Federal Programs	State Programs
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<u> X </u> yes <u> </u> no	<u> </u> yes <u> X </u> no

Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no
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Dollar threshold used to distinguish between type A and type B programs:

	\$ 750,000	\$ 250,000
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SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

Identification of major state programs:

<u>State ID Number(s)</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.201	General Aids
255.945	Per Pupil Aid

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2019-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of Prior Year Finding 2018-001

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements, including the schedules of expenditures of federal and state awards, are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process. We as your auditors, prepared the District's financial statements, including the schedules of expenditures of federal and state awards. In addition, material adjustments were proposed during the audit.

Cause: Controls do not exist to prevent the need for material entries during the audit process. The District has chosen to have the auditors prepare its annual financial statements, schedules of expenditures of federal and state awards, and certain year-end adjustments.

Effect: The financial statements may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedules of expenditures of federal and state awards are not available to the District until they are completed by the auditors.

Recommendation: The District should consider whether preparation of the financial statements and schedules of expenditures of federal and state awards by the District staff is cost effective and develop an action plan to ensure that all material adjustments are recorded by District staff prior to audit fieldwork. The Board of Education should continue to make a reasonable effort to be knowledgeable about the District's financial condition and financial reporting requirements.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2019-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Views of Responsible Officials: It is indicated that the District has material weaknesses due to the fact that we do not prepare a complete set of audit report including footnotes and we have audit adjustments. There are very few schools that have met these strict standards and the District is no exception. To meet these new standards we would need additional staff, primarily a CPA dedicated to meeting these standards.

District staff will accumulate as much of the information required for federal and state awards as we can and reconcile the revenue and expenditure information to the general ledger for these awards. We will continue to rely on the assistance of our auditors to draft the financial statements because the District does not have the staff needed to perform this task.

FINDING 2019-002: INTERNAL CONTROL ENVIRONMENT

Repeat of Prior Year Finding 2018-002

Criteria: A system of internal control should be in place to achieve a higher reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll, and monthly and year-end accounting due to a lack of segregation of duties in the accounting functions.

Cause: The District has not assigned duties to have appropriate controls in place.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally. Because of the lack of segregation of duties, the accounting records may be misstated.

Recommendation: Management and the Board of Education should consider whether additional compensating controls are feasible. Many of the key controls lacking for these transaction cycles are not possible to cure without adding staff. In the absence of hiring additional staff, management and the Board of Education should rely more heavily on their direct knowledge of the District's operations and regular contact with staff to control and safeguard assets.

Views of Responsible Officials: The District is aware of our lack of controls over disbursements, payroll, and monthly and year-end accounting. Currently, the administrator and school board review financial information as an additional control. The monthly board packets include revenues compared to the previous years and budget, expenditures compared to previous years and budget, and check registers.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2019-003: ALLOWABLE COSTS/COST PRINCIPLES

Federal Program – Child Nutrition Cluster
Federal Agency – U.S. Department of Agriculture
Pass-Through Entity – WI DPI
CFDA Number – 10.553 / 10.555 / 10.559
Pass-Through Agency ID – 2019-105726-SB-Severe-546 / 2019-105726-NSL-547 / 2019-105726-SFSP-586
Award Year – 2019

Criteria: A system of internal control should be in place to achieve a higher reliability that errors or irregularities in allowable costs would be discovered by your staff.

Condition/Context: Approval is not consistently documented on invoices, timecards and support staff contracts. Of the 32 expenditures tested for internal control purposes, 14 lacked adequate documentation of review and approval. The sample was not statistically valid.

Cause: The District did not ensure that the proper reviews and approvals were in place prior to payment.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities in the expenditures would be discovered internally. Unallowable costs could be paid for with grant funds.

Questioned Costs: None noted.

Recommendation: An appropriate, knowledgeable employee should review all invoices, timecards and support staff contracts prior to payment, and approval should be documented. Review by the Board of Education is also encouraged as it is an important part of monitoring controls; however, their review typically happens later and lacks the written documentation that is required for an activity-level control.

Views of Responsible Officials: The District is aware that improvements are necessary related to their review process, especially the documentation of review. Some of the invoices in question likely had review documented at one point in time but that section of the invoice ended up being cut off. Moving forward, review will be documented in a different section to avoid the risk of cutting it off. The District will also revisit its procedures for review of supervisor timecards and support staff contracts.

FINDING 2019-004: PROCUREMENT, SUSPENSION AND DEBARMENT

Federal Program – Child Nutrition Cluster
Federal Agency – U.S. Department of Agriculture
Pass-Through Entity – WI DPI
CFDA Number – 10.553 / 10.555 / 10.559
Pass-Through Agency ID – 2019-105726-SB-Severe-546 / 2019-105726-NSL-547 / 2019-105726-SFSP-586
Award Year – 2019

Criteria: According to 2 CFR Parts 180, 200.212, and 200.318 to 200.326, entities need to follow specific procurement rules when utilizing federal dollars.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2019-004: PROCUREMENT, SUSPENSION AND DEBARMENT (cont.)

Condition/Context: The District has a policy that incorporates federal guidelines for procurement but they did not request quotes for vendors over the micro-purchase threshold, nor did they verify whether vendors were considered debarred. Note that the District's largest food service vendor is secured through an RFP process by a consortium that the District participates in; general procurement standards are considered to be met through this process, though it is unclear whether debarment was considered. The District only had one other food service vendor whose total payments were over the \$10,000 micro-purchase threshold and \$25,000 debarment threshold.

Cause: Employees responsible for food service purchases were not aware of the specific federal requirements and policy revisions.

Effect: This could potentially lead to higher costs for the food service program or selection of vendors who are not eligible to be paid with federal funds.

Questioned Costs: None noted.

Recommendation: Program personnel should become familiar with the procurement, suspension and debarment rules for federal programs and implement process changes as soon as possible.

Views of Responsible Officials: The District has very few vendor transactions using federal dollars that are large enough in aggregate to require procurement procedures. The District will revisit its procedures for selecting vendors and ensure that staff are adequately trained on the requirements. The District's milk provider is the specific vendor in question; the District did request quotes several years ago and this was the only vendor who responded.

FINDING 2019-005: REVIEW AND APPROVAL OF PI-1505-SE REPORT

Program State ID Number and Title – 255.101, Special Education and School Age Parents
State Grantor – WI DPI

Criteria: A system of internal control should be in place to achieve a higher reliability that errors or irregularities in annual reporting would be discovered by your staff.

Condition/Context: The 2019 Special Education Annual Report PI-1505-SE had no evidence of review and approval.

Cause: The report was not reviewed or approved by someone independent of the preparer.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities in the report would be discovered internally. This could lead to an overpayment of grant funds to the school district.

Questioned Costs: None noted.

Recommendation: The superintendent should review the PI-1505-SE prior to submission. Review and approval should be documented.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2019-005: REVIEW AND APPROVAL OF PI-1505-SE REPORT (cont.)

Views of Responsible Officials: The information in the PI-1505-SE is compiled based on project codes; review of account coding takes place throughout the year. The District did not intentionally skip review for this report, but there was no prompt to do so as it is an online report and does not contain an area for a signature approval. The District will implement a more defined and documented review and approval process moving forward.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Department of Workforce Development	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Department of Justice	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Department of Health Services	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? yes no

Name and signature of partner



Kimberly M. Shult, CPA, Partner

Date of report

November 26, 2019