ISNA WICA OWAYAWA (LONEMAN SCHOOL)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT JUNE 30, 2019



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INDEPENDENT AUDITOR'S REPORT

Board of Education Isna Wica Owayawa Oglala, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of ISNA WICA OWAYAWA (Loneman School) (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents. We were also engaged to audit the accompanying financial statements of the aggregate remaining fund information of the School as of and for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate remaining fund information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The School did not maintain adequate documentation to support the balances on the statement of fiduciary net position for the Agency Fund. As such, we were unable to obtain sufficient appropriate audit evidence that this fund is free of material misstatements by other auditing procedures. Only one fund is included in the aggregate remaining fund information of the School.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate remaining fund information of the School as of and for the year ended June 30, 2019. Accordingly, we do not express an opinion on the aggregate remaining fund information as of and for the year ended June 30, 2019.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Contingency - Noncompliance

The accompanying financial statements reflect a liability for questioned costs of prior years in which the Bureau of Indian Affairs has sent a related bill of collection. Resolution of these costs needs to be made with the respective funding agency.

In addition to questioned costs, the School has violated certain restrictive grant provisions. The possible outcome of these matters, which have been reported to appropriate federal officials, is uncertain at this time. Accordingly, no provision of any liability has been made in the financial statements for possible federal claims for refunds of those grant monies.

Contingency - Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As described in Note 11 to the financial statements, the School has a large operating deficit generated during the past fiscal years. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 25 to 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on page 30, is presented for purposes of additional analysis and is not a required part of the 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 basic 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

KETEL THORSTENSON, LLP Certified Public Accountants

May 19, 2020

STATEMENT OF NET POSITION JUNE 30, 2019

JUNE 30, 2019	G 4	overnmental Activities
ASSETS	0	1 000 200
Cash	\$	1,988,280
Investments (Note 2)		3,096,947
Due from Grantor (Note 3)		12,021
Interfund Receivable (Note 4)		10,652
Inventory		20,731
Prepaid Expenses		38,959
Capital Assets, Net of Depreciation (Notes 5 and 7)		808,573
TOTAL ASSETS	\$	5,976,163
LIABILITIES		
Accounts Payable	\$	54,042
Accrued Liabilities		228,475
Disallowed Costs Payable (Note 6)		3,005,779
Compensated Absences (Note 7)		
Due Within One Year		8,270
Capital Lease Payable (Note 7)		
Due Within One Year		2,652
Due in More than One Year		3,816
TOTAL LIABILITIES		3,303,034
NET POSITION Net Investment in Capital Assets		802,105
Restricted (Note 8)		•
Indian School Equalization Program		2,210,990
Special Education - Part B		1,013,750
Title Programs		409,423
Administrative		359,986
Program Enhancement		147,740
Transportation		254,159
Facilities Operation and Maintenance		3,388
Quarters Maintenance, Improvement and Repair		80,269
Assessment Grant		62,826
Program Adjustment - Safe and Secure Schools		23,775
Student Support and Academic Enrichment		10,000
Suicide Prevention		4,694
Backpack Program		1,575
Running Strong		143
Unrestricted Deficit		(2,711,694)
TOTAL NET POSITION		2,673,129
A CATALONIA A CORRACT		, -,
TOTAL LIABILITIES AND NET POSITION	\$	5,976,163

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

				Progra	am R	evenues	aı	et (Expense) Revenue nd Changes Net Position
Functions/Programs		Expenses	-	Charges for Services		Operating Grants and ontributions	Go	Total overnmental Activities
Governmental Activities:								
Instruction								
Basic Operations	\$	1,973,040	\$	-	\$	2,046,521	\$	73,481
Special Education-Part B		593,920		-		-		(593,920)
Title Programs		604,944		_		839,141		234,197
Program Enhancement		70,483		_		41,980		(28,503)
Program Adjustment		26,193		-		24,918		(1,275)
Support Services		ŕ				- ',- " -		(1,2,0)
Transportation		439,133		_		516,910		77,777
Administration		482,132		_		572,940		90,808
Facilities		507,972		_		421,745		(86,227)
Food Service		174,565		6,607		176,091		8,133
General		,		,		2.0,022		0,100
Housing		62,452		55,948		_		(6,504)
General Operations		209,550				_		(209,550)
•		5,144,384		62,555		4,640,246		(441,583)
Total Primary Government	\$	5,144,384	\$	62,555	\$	4,640,246		(441,583)
	Ear	neral Revenunings on Inve	stm	ents and Dep	osits			159,376 378,722
		al General F						538,098
	Cha	nnge in Net I	Posi	tion				96,515
		Position J					\$	2,673,129

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	 General Fund		Educational Programs Fund		Support Programs Fund		Construction Fund		Total overnmental Funds
ASSETS									
Cash	\$ 225,723	\$	1,762,557		-	\$	-	\$	1,988,280
Investments (Note 2)	147,434		1,978,113		971,400		-		3,096,947
Due from Grantor (Note 3)	_		12,021		-		-		12,021
Interfund Receivable (Note 4)	10,652		316,620		-		-		327,272
Inventory	-		-		20,731		-		20,731
Prepaid Expenses	390		29,998		8,571				38,959
TOTAL ASSETS	\$ 384,199	\$	4,099,309	\$	1,000,702	\$		\$	5,484,210
LIABILITIES Accounts Payable Accrued Liabilities Disallowed Costs Payable (Note 6) Interfund Payable (Note 4)	\$ 555 1,020 3,005,779 - 3,007,354	\$	25,457 190,511 - - 215,968	\$	28,030 36,944 - 316,620 381,594	\$	-	\$	54,042 228,475 3,005,779 316,620 3,604,916
FUND BALANCES (DEFICIT) Nonspendable-Inventory Nonspendable-Prepaid Expenses Restricted (Note 8) Unassigned (Note 11)	- 390 79,879 (2,703,424)		29,998 3,853,343		20,731 8,571 589,806		-		20,731 38,959 4,523,028 (2,703,424) 1,879,294
TOTAL FUND BALANCES (DEFICIT) TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ (2,623,155)	\$	3,883,341 4,099,309	\$	619,108 1,000,702	\$		\$	5,484,210

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds	\$ 1,879,294
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.	808,573
Accrued absences do not require current financial resources. Therefore, they are not reported as a liability in the governmental funds balance sheet.	(8,270)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(6,468)
Net Position - Governmental Activities	\$ 2,673,129

ISNA WICA OWAYAWA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

Support Total **Educational** Governmental **Programs** Construction General **Programs Funds** Fund Fund Fund **Fund** Revenues \$ 4,464,155 2,952,560 1,511,595 \$ Revenue from Federal Sources 176,091 176,091 Revenue from State Sources 55,948 55,948 Rentals 159,376 159,372 Earnings on Investments and Deposits 1,975 120,953 Miscellaneous Revenue (Note 6) 118,978 6,607 6,607 Charges for Services 4,983,130 1,696,268 4 334,298 2,952,560 **Total Revenues** Expenditures (Note 9) Instruction: 1,952,732 1,952,732 **Basic Operations** 604,944 604,944 Title Programs 580,148 580,148 Special Education-Part B 70,483 70,483 Program Enhancement 21,272 21,272 Program Adjustment Support Services: 505,408 505,408 **Facilities** 479,125 479,125 Administration 392,114 392,114 Transportation 174,565 174,565 Food Service General: 62,452 62,452 Housing 209,550 209,550 General Operations 197,097 153,274 43,823 Capital Outlay (Note 5): 1,707 879 2,586 Debt Service (Note 7): 1,705,365 5,252,476 272,002 3,275,109 **Total Expenditures** (9,097)4 (269,346)Excess of Revenues Over (Under) Expenditures 62,296 (322,549)Other Financing Sources (Uses) Compensation for Loss or Damage 257,769 257,769 to Capital Assets (8,133)(8) 8,141 Transfers In (Out) (Note 4) (8,133)(8) 257,769 257,769 8,141 **Total Financing Sources (Uses) (4)** (314,408) (17,230)(11,577)Net Change in Fund Balances 320,065 1,890,871 4 (2,943,220)4,197,749 636,338 Fund Balance (Deficit) - June 30, 2018 619,108 \$ 1,879,294 \$ (2,623,155) \$ 3,883,341 Fund Balance (Deficit) - June 30, 2019

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (11,577)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays exceeded depreciation expense in	
the current period.	105,293
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,586
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the governmental funds. In the Statement of	
Activities, expenses for these benefits are recognized when the employees earn leave credits.	213
Change in Net Position - Governmental Activities	\$ 96,515

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2019

	Agency Funds
ASSETS Cash	\$ 11,694
TOTAL ASSETS	\$ 11,694
LIABILITIES	
Interfund Payable (Note 4)	\$ 10,652
Custodial Liability	1,042
TOTAL LIABILITIES	\$ 11,694

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

(1) Summary of Significant Accounting Policies

Financial Reporting Entity

Isna Wica Owayawa (Loneman School) (the School) operates an elementary and middle school on the Pine Ridge Indian Reservation in Oglala, South Dakota. The School receives substantially all of its funding through the Bureau of Indian Affairs (BIA) and the U.S. Department of Education.

All operations of the School are controlled by an elected School Board, responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the School Board. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School is considered to be an independent reporting entity and has no component units.

Basis of Presentation

The basic financial statements of the School include the government-wide and fund financial statements. The focus is on the School as a whole in the government-wide financial statements, while reporting additional and detailed information about the School's major governmental activities in fund financial statements.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. Governmental activities generally are financed through federal grants. The School has no business-type activities. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School's own programs.

The Statement of Net Position reports all financial and capital resources in a balance sheet form (assets equal liabilities plus net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the category. A fund is considered major if it is the primary operating fund of the School or it meets the following criteria:

- 1. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type, and
- 2. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least five percent of the corresponding total for all governmental funds, or
- 3. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued):

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund, designed to meet all the general operational and housing activities of the School, excluding those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Each of the funds described below is financed by the federal government and is considered a major fund.

Educational Programs Fund - Established to support the direct educational needs of the School.

Support Programs Fund - Established to account for supplemental funds received for support activities including food service, transportation, facility maintenance, and administration.

Construction Fund - Established to account for new school construction funds.

Fiduciary Funds:

Agency Fund Types - Agency funds are used to account for resources held by the School in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School maintains an agency fund to account for the monies earned by the students for student activities. Fiduciary funds are never considered to be major funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting. Agency funds are not included in the measurement of results of operation; therefore, measurement focus is not applicable to them, and they are omitted from the government-wide reporting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the fiduciary funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned, and expenses and related liabilities are recorded when an obligation is incurred. Revenue from non-exchange transactions (i.e. federal grants) generally includes certain eligibility and purpose requirements. Revenue from these grants is considered earned at the time all eligibility requirements have been satisfied.

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay current liabilities (60 days).

Revenues from federal and state grants are recognized when all eligibility requirements have been satisfied and when the resources are available. Any unexpended portions of grant revenues that have been received are considered restricted. Expenditures in excess of amounts received but earned are recorded as due from grantor.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt and compensated absences, which are recognized when due.

All fiduciary funds are accounted for using the accrual basis of accounting. Revenue is recognized when it is earned and expenses are recognized when they are incurred.

Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities columns, except for the net, residual amounts due between governmental and fiduciary activities, which are presented as internal balances.

Inventory

Inventory consists of food and fuel and is valued at the lower of cost or market value. The cost valuation method is first-in, first out. Donated commodities are valued at estimated market value based on the U.S. Department of Agriculture price list at the date of receipt.

Capital Assets

Capital assets include mobile homes, vehicles, equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

All federal grantors retain a reversionary interest in selected property purchased with their respective contract funds. Most of the capital assets reported by the School have been acquired with federal funds.

The BIA supplies the facilities required to operate the School. Accordingly, substantially all building and infrastructure utilized by the School are owned by the BIA. The BIA also provides a facilities grant to cover costs associated with operating the buildings. A value for these facilities supplied by the BIA is not reflected in the accompanying financial statements.

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$5,000.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. The straight-line method of depreciation is used and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Estimated
	Useful Life
Mobile Homes	25 Years
Vehicles	10 Years
Equipment	5 Years

Fund Financial Statements:

Capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of a capital lease and compensated absences (See Note 6).

Funding for compensated absences is expended in the same fund as the corresponding payroll. In the governmental fund financial statements, compensated absences are reported as expenditures when paid.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

Program Revenues

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself. Program revenues are classified into three categories, as follows:

- 1. Charges for services arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
- Program-specific operating grants and contributions arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- 3. Program-specific capital grants and contributions arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program. The School received no program specific capital grants and contributions during the year ended June 30, 2019.

Deposits

The School follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments imposed by statute require funds to be invested in securities insured, secured, or guaranteed by the United States. The School's investment policy does not further limit its investment choices. As of June 30, 2019, the School's cash consisted of checking and savings accounts. The School's policy is to credit income to the fund in which the corresponding assets are recorded.

Use of Estimates

The preparation of the financial statements with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures of certain financial statement balances. Actual results could vary from the estimates used.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and is displayed in three components:

- 1. Net investment in capital assets Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- 2. Restricted net position Consists of net position with constraints placed on their use by either (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3. Unrestricted net position All other net position that does not meet the definition of "restricted" or "net investment in capital assets." The School reports negative unrestricted net position. The amounts must be replaced to eliminate compliance findings regarding the misuse of advanced federal funds (Note 6).

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Continued)

Equity Classifications (continued)

It is the School's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements:

The School classifies governmental fund balances as follows:

- 1. Nonspendable amounts that cannot be spent because they are not in spendable form or are required to be maintained intact due to legal or contractual constraints. This includes inventory and prepaid expenses.
- 2. Restricted amounts that are constrained for specific purposes by external providers, such as grantors and/or creditors, or amounts constrained due to constitutional provisions or by enabling legislation.
- 3. Committed amounts that are constrained for specific purpose by the School itself, using its highest level of decision making authority (School Board approval); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. The School has no committed fund balances at June 30, 2019.
- 4. Assigned amounts that the School intends to use for specific purposes that are neither considered restricted or committed. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority (e.g. Superintendent or Business Manager). The School has no assigned fund balances at June 30, 2019.
- 5. Unassigned amounts in the general fund that have not been classified in the above categories and are available for any purpose; positive amounts are reported only in the general fund and construction fund.

The School uses restricted amounts first when both restricted and unrestricted fund balance is available. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School does not have a formal minimum fund balance policy.

Federal Income Tax

The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income tax. As such, no income taxes have been provided for in the accompanying financial statements.

In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. At June 30, 2019, the School believes no significant uncertain tax positions or liabilities exist.

Emerging Accounting Standards

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The School has not yet determined the specific impact of this statement on the financial statements. The statement is effective for the School's year ending June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(1) Summary of Significant Accounting Policies (Concluded)

Emerging Accounting Standards (Continued)

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lease to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The statement is effective for the School's year ending June 30, 2022.

(2) Deposits and Investments

Per federal statute 25 U.S.C. 82507(a), the School may only invest in obligations of the United States or obligations or securities that are guaranteed or insured by the United States.

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2019, the School had the following investments:

Investment	Credit Rating	Maturity]	Fair Value
Mutual Funds				
US Gov't Securities - A	N/A	N/A	\$	1,044,129
Government Bond - A	N/A	N/A		1,042,885
				2,087,014
Nonnegotiable Certificates of Deposit				1,009,933
Total Investments			\$	3,096,947

Interest Rate Risk:

The School will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

Credit Risk:

Federal law limits eligible investments for the School, as discussed above. The School has no investment policy that would further limit its investment choices.

Custodial Credit Risk:

The risk that, in the event of a depository failure, the School's deposits may not be returned to it. As of June 30, 2019, all bank balances were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the pledging financial institution.

Concentration of Credit Risk:

The School's investment policy does not further limit its investment in any one issuer. The School only has cash, certificates of deposit, and government securities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(2) Deposits and Investments (Continued)

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The School is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The School's financial statements do not include adjustments to fair value that have resulted from these declines.

(3) Due from Grantor

Amounts due from grantor as of June 30, 2019 consists of \$12,021 due from the Department of the Interior, Bureau of Indian Education.

(4) Interfund Balances and Transactions

Interfund receivable and payables are the result of receipts and/or disbursements made out of the wrong bank account and an interfund payable that has cash to be repaid but requires a physical transfer of cash between bank accounts, as well as an operational loan from the education fund to cover negative cash balances in the support fund. Both are expected to be repaid within the next year. Amounts consist of the following at June 30, 2019:

Fund	nterfund leceivable	Interfund Payable		
General Fund	\$ 10,652	\$	_	
Agency Fund	-		10,652	
Education Fund	316,620		-	
Support Fund			316,620	
Total Interfund Balances	\$ 327,272	\$	327,272	

Interfund transfers for the year ended June 30, 2019, were as follows:

Fund	Tra	nsfers In	Tra	nsfers Out_
Educational Programs Fund	\$	8,141	\$	-
Construction Fund		-		8
Support Programs Fund		-		8,133
Total Transfers	\$	8,141	\$	8,141

Transfers between the funds were for \$8 from construction to educational to close the construction fund, as well as \$8,133 transfers of grant funding to cover allowable expenditures that exceed program revenues and available carryover.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(5) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is shown below.

	Ju	Balance ne 30, 2018	/	Additions		ansfers / eletions	-	Balance ne 30, 2019
Governmental Activities:								
Capital Assets Being Depreciated								
Vehicles and Equipment		1,062,675		197,097		-		1,259,772
Less Accumulated Depreciation for:								
Vehicles and Equipment		359,395		91,804		-		451,199
Total Capital Assets, Net	\$	703,280	\$	105,293	\$	-	\$	808,573
Depreciation expense was charged to functi Transportation SPED B	ons withir	n government	al ac	tivities as fo	llows:		\$	48,930 13,772
Basic Operations								17,678
Facilities								2,401
Administration								4,102
Program Adjustment								4,921
Total Depreciation Expense							\$	91,804

(6) Disallowed Costs Payable, Questioned Costs, and Noncompliance Contingency

Disallowed Costs Payable consists of the following at June 30, 2019:

		В	Bill of Collection
Bill of Collection Date	For Year Ending		Balance
November 1, 2011	June 30, 2007	\$	161,849
December 21, 2010	June 30, 2008		252,445
November 22, 2012	June 30, 2011		474,607
September 27, 2013	June 30, 2012		1,075,873
June 9, 2015	June 30, 2013		1,041,005
Total Disallowed Costs Payable		\$	3,005,779

The School is in the process of appealing each bill of collection. The results of those requests are not yet available. Since the outcome of the appeals is unknown, no fees, interest or penalty amounts have been accrued.

The School also has noncompliance with federal grant requirements that did not result in questioned costs. The ultimate resolution of any liability for the noncompliance will be made by the federal agency.

During the year ended June 30, 2019, the School was granted disallowed cost forgiveness totaling \$100,361, which is recorded as miscellaneous revenue in the general fund on the Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances and in the Statement of Activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

(7) Long-Term Liabilities

The following is a summary of changes in long-term liabilities during the year ended June 30, 2019:

	****	Capital Lease	mpensated Absences	Total
Governmental Activities Long-Term Liabilities July 1, 2018	\$	9,054	\$ 8,483	\$ 17,537
Additions Reductions		(2,586)	45,616 (45,829)	45,616 (48,415)
Long-Term Liabilities June 30, 2019	\$	6,468	\$ 8,270	\$ 14,738
Due Within One Year	\$	2,652	\$ 8,270	\$ 10,922

The compensated absences will be paid from the same fund as the related payroll. The capital lease will be paid from the same fund where the related copier is utilized (allocated between Educational Programs and Support Programs funds).

The School has a non-cancelable capital lease for copiers. The copiers had a cost of \$12,380 with accumulated depreciation at June 30, 2019, of \$6,603. Payments of \$272 are due monthly through October 2021, including interest at 11.12 percent, secured by the copiers.

The annual requirements to amortize all debt outstanding as of June 30, 2019, excluding compensated absences, are as follows:

Year Ending	Capital Lease				
June 30,	Pı	rincipal	In	terest	
2020		2,652		612	
2021		2,964		300	
2022		852		25	
Total	\$	6,468	\$	937	

Total interest expense was \$888 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED) JUNE 30, 2019

(8) Grant Carryover

Fund balances at June 30, 2019, noted as restricted on the Governmental Funds Balance Sheet, represent amounts received in grant funding for which allowable expenditures have not yet been incurred. The School's restricted fund balances at June 30, 2019 are as follows:

,		Educational	Support	
Grant Carryover	General	Programs	Programs	Total
Indian School Equalization Program	\$ -	\$ 2,210,990	\$ -	\$ 2,210,990
Title Programs	-	1,013,750	-	1,013,750
Special Education - Part B	-	409,423	-	409,423
Administrative	-	-	359,986	359,986
Transportation	_	-	254,159	254,159
Program Enhancement	-	147,740	-	147,740
Facilities Operation and Maintenance	-	-	3,388	3,388
Quarters Maintenance, Improvement and Repair	80,269	-	-	80,269
Assessment Grant	-	62,826	-	62,826
Program Adjustment - Safe and Secure Schools	-	23,775	-	23,775
Student Support and Academic Enrichment	-	10,000	-	10,000
Suicide Prevention	_	4,694	-	4,694
Backpack Program (non-federal)	-	-	1,575	1,575
Running Strong (non-federal)	-	143	_	143
Total Grant Carryover	80,269	3,883,341	619,108	4,582,718
Less Nonexpendable Portion of Grant Carryover:				
Prepaid Expenses	(390)	(29,998)	(8,571)	(38,959)
Inventory	-		(20,731)	(20,731)
Total Restricted Fund Balances	\$ 79,879	\$ 3,853,343	\$ 589,806	\$ 4,523,028

(9) Employee Retirement Plan

The School has a 401(k) plan available for its employees. The School is required to match two percent of each eligible employee's salary. Each employee is allowed to contribute to the plan each year, however they are not required to. The School's matching contributions for the years ended June 30, 2019, 2018, and 2017 totaled \$27,185, \$30,010, and \$41,756, respectively. No amounts related to this retirement plan, other than the matching contributions, are reflected in the financial statements, as all employee accounts are immediately 100 percent vested.

(10) Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past year. The School provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

(11) Going Concern

At June 30, 2019, the School reports a fund deficit of \$2,623,155 in the general fund mainly due to the questioned costs payable balance from prior years. This represents a decrease in the deficit of \$320,065 from the prior year due mainly to a repayment of due to other funds. The School's continued operation is dependent upon revenue sources to replace these funds and internal controls to ensure over-expenditures are eliminated. The School is also working with their funding agent, the BIA, regarding problems associated with over-expenditures and resolution on the bills of collection issued.



BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final	I	Actual- Budgetary	F	/ariance avorable
	 Budget		Basis	(Un	favorable)
REVENUES				_	(1 (00=)
Rentals	\$ 72,245	\$	55,948	\$	(16,297)
Earnings on Investments and Deposits	-		159,372		159,372
Miscellaneous Revenue			118,978		118,978
Total Revenues	72,245		334,298		262,053
EXPENDITURES	7.000		227.017		(220.017)
Supplies	7,000		227,917		(220,917)
Personnel and Fringe Benefits	22,745		20,708		2,037
Utilities	6,000		13,602		(7,602)
Other	7,500		60		7,440
Contractual and Professional Services	9,000		9,715		(715)
Repairs and Maintenance	20,000		-		20,000
Total Expenditures	72,245		272,002		(199,757)
Excess of Revenues Over Expenditures	-		62,296		62,296
Other Financing Sources					
Compensation for Loss or Damage to Capital Assets			257,769		257,769
Total Other Financing Sources	-		257,769		257,769
Net Change in Fund Deficit	•		320,065		320,065
Fund Deficit June 30, 2018	 (2,943,220)		(2,943,220)		
Fund Deficit June 30, 2019	\$ (2,943,220)	\$	(2,623,155)	\$	320,065

The accompanying notes to required supplementary information are an integral part of this statement.

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS EDUCATIONAL PROGRAMS FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original	Actual-		Variance
	and Final	Budgetary		Favorable
	 Budget	Basis	J)	Jnfavorable)
REVENUES				
Revenue from Federal Sources	\$ 4,843,070	\$ 2,952,560	\$	(1,890,510)
Total Revenues	4,843,070	2,952,560		(1,890,510)
EXPENDITURES				
Personnel and Fringe Benefits	2,685,677	2,437,625		248,052
Equipment	78,750	53,569		25,181
Supplies	427,622	145,506		282,116
Student Activities	158,000	179,300		(21,300)
Contractual and Professional Services	312,148	242,437		69,711
Other	381,029	88,986		292,043
Repairs and Maintenance	225,190	190		225,000
Travel	56,632	54,527		2,105
Insurance	35,600	26,861		8,739
Training	70,564	42,436		28,128
Utilities	-	1,965		(1,965)
Debt Service	_	1,707		(1,707)
Total Expenditures	4,431,212	3,275,109		1,156,103
Excess of Revenues Over (Under) Expenditures	411,858	(322,549)		(734,407)
, ,				
Other Financing Sources				
Transfers In		8,141		8,141
Net Change in Fund Balance	411,858	(314,408)		(726,266)
net Change in Fund Dalance	111,000	(52.,100)		(,)
Fund Balance June 30, 2018	4,197,749	4,197,749		-
Fund Balance June 30, 2019	\$ 4,609,607	\$ 3,883,341	\$	(726,266)

The accompanying notes to required supplementary information are an integral part of this statement.

ISNA WICA OWAYAWA

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS SUPPORT PROGRAMS FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget		Actual- Budgetary Basis	Variance Favorable Infavorable)
REVENUES				
Revenue from Federal Sources	\$ 2,255,646	\$	1,511,595	\$ (744,051)
Revenue from State Sources	-		176,091	176,091
Charges for Services	-		6,607	6,607
Miscellaneous Revenue			1,975	1,975
Total Revenues	2,255,646		1,696,268	 (559,378)
EXPENDITURES				
Personnel and Fringe Benefits	694,597		737,792	(43,195)
_	145,000		231,182	(86,182)
Utilities Food Complies	114,500		162,096	(47,596)
Food Supplies Contractual and Professional Services	201,500		178,493	23,007
-	182,300		56,551	125,749
Supplies Province and Maintenance	90,000		93,714	(3,714)
Repairs and Maintenance	53,000		41,196	11,804
Insurance Other	9,786		23,883	(14,097)
School Board	32,700		21,828	10,872
Debt Service	-		879	(879)
	24,500		3,126	21,374
Training	10,500		6,505	3,995
Travel	3,000		2,763	237
Leases	283,625		145,357	138,268
Equipment Total Expanditures	1,845,008	_	1,705,365	139,643
Total Expenditures	 1,012,000		19. 00,000	,
Excess of Revenues Over (Under) Expenditures	410,638		(9,097)	(419,735)
Other Financing Uses				
Transfers Out	-		(8,133)	(8,133)
Net Change in Fund Balance	410,638		(17,230)	(427,868)
Fund Balance June 30, 2018	636,338		636,338	
Fund Balance June 30, 2019	\$ 1,046,976	\$	619,108	\$ (427,868)

The accompanying notes to required supplementary information are an integral part of this statement.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

(1) Basis of Presentation

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting.

(2) Budgets and Budgetary Accounting

The School documented the approval of their annual budget during the year ended June 30, 2019. The School follows these procedures in establishing the budgetary data reflected in the financial statements:

A tentative budget with projected revenue for program operations for the following school year shall be submitted to the Board for approval at the annual April meeting.

The Board shall approve the tentative annual budget two months prior to the end of contracts based on information, salary schedules and data submitted by the Principal.

The Principal and Business Manager shall advise the Board of the need for any changes and provide the Board with proposed revisions for the approval prior to any changes being implemented.

Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. The School did not encumber any amounts at June 30, 2019.



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

	PASSTHROUGH	FEDERAL		
FEDERAL GRANTOR/PASS-THROUGH	ENTITY IDENTIFYING	CFDA		
GRANTOR/PROGRAM TITLE	NUMBER	NUMBER	EXP	ENDITURES
U.S. Department of the Interior Bureau of Indian Affairs:				
Direct Funding:				
Indian School Equalization Program	A16AV00749	15.042	\$	1,916,446
Indian Schools Student Transportation	A16AV00749	15.044		515,838
Administrative Cost Grants for Indian Schools	A16AV00749	15.046		504,404
Indian Education Facilities, Operations, and Maintenance	A16AV00749	15.047		510,558
Program Adjustments - Safe and Secure Schools	A16AV00749	15.149		50,711
Education Enhancements	A16AV00749	15.151		70,483
Total U.S. Department of Interior Bureau of Indian Affairs				3,568,440
H.C. Downston of Education				
U.S. Department of Education				
Pass-Through Funding - U.S. Department of Interior				
Bureau of Indian Affairs Title I Grants to Local Education Agencies (Note 3)	A16AV00749	84.010		536,661
Special Education Part B	A16AV00749	84.027		565,666
Education for Homeless Children and Youth (Note 3)	A16AV00749	84.196		23,015
Title IIA Teacher Quality Partnership Grant (Note 3)	A16AV00749	84.336		56,020
Rural Education (Note 3)	A16AV00749	84.358		2,790
Direct Funding:	7110/11/00/15	01.550		2,
Indian Education Grants to Local Education Agencies	S060A161074	84.060A		45,185
Total U.S. Department of Education	500071101071	01.00011		1,229,337
Total U.S. Department of Education				~,,
U.S. Department of Agriculture				
Pass-Through the S.D. Department of Education				
Child Nutrition Cluster:				
National School Lunch Program (Note 2)	65-30700	10.555		170,888
Fresh Fruit and Vegetable Program	65-30700	10.582		11,810
Total U.S. Department of Agriculture				182,698
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$	4,980,475

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019

(1) Basis of Accounting

The School follows the modified accrual basis of accounting in the preparation of the schedule of expenditures of federal awards.

(2) Reimbursements

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

(3) School-wide Program

These grants were included as part of the School-wide Title I Program.

(4) De Minimis

The School did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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INDEPENDENT AUDITOR'S 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

Board of Education Isna Wica Owayawa Oglala, South Dakota

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 the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of ISNA WICA OWAYAWA (Loneman School) (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 19, 2020. We were engaged to audit the aggregate remaining fund information of the School for the year ended June 30, 2019. Our report disclaims an opinion on the aggregate remaining fund information because of missing substantiating documentation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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'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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2019-001, #2019-002, #2019-003, and #2019-004, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item #2019-004.

School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KETEL THORSTENSON, LLP Certified Public Accountants

May 19, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education Isna Wica Owayawa Oglala, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the compliance of ISNA WICA OWAYAWA (Loneman School) (the School) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of 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'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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 programs identified in the summary of auditor's results section of the accompanying Schedule of Findings for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other 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 as findings #2019-003, 2019-004, 2019-005, and 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School'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 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'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 an 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's internal control over compliance.

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 a combination of deficiencies, in internal control over 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 the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the 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 as #2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

The School's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

KETEL THORSTENSON, LLP Certified Public Accountants

May 19, 2020

SCHEDULE OF FINDINGS JUNE 30, 2019

A. SUMMARY OF AUDIT RESULTS

- 1. The Independent Auditor's Report expresses an unmodified opinion on all of the financial statements of Isna Wica Owayawa (the School), except for a disclaimer of opinion expressed on the aggregate remaining fund information.
- 2. Material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditor's 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.
- 3. An instance of noncompliance material to the financial statements of the School was disclosed during the audit.
- 4. Material weaknesses disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- 5. The auditor's report on compliance for the major federal award programs for the School expresses unmodified opinions on all major programs, as listed in #7.
- 6. Audit findings relative to the major federal award program for the School are reported in Part C of this schedule.
- 7. The programs tested as major programs include the following:

Major Programs	CFDA #'s
U.S. Department of the Interior-Bureau of Indian Affairs: Indian School Equalization Program	15.042
	_

U.S. Department of Education Pass-Through U.S. Department of Interior — Bureau of Indian Affairs:

Schoolwide Program:

Title I Grants to Local Education Agencies	84.010
Education for Homeless Children and Youth	84.196
Title IIA Teacher Quality Partnership Grant	84.336
Rural Education	84.358

- 8. The threshold for distinguishing types A and B programs was \$750,000.
- 9. The School was not determined to be a low risk auditee.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2019-001 FINDING: Financial Statement and Schedule of Expenditures of Federal Awards (SEFA) Preparation

Federal Program Affected: This finding relates to all major programs identified in Part A, #7 of the Schedule of Findings.

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: We were requested to draft the audited financial statements, related footnote disclosures, and the SEFA as part of our regular audit services. Auditing standards require auditors to communicate this situation to the School Board as an internal control deficiency.

Criteria and Effect: Ultimately, it is management's responsibility to provide for the preparation of the School's financial statements, footnotes, and SEFA, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do this for the School at the same time in connection with our audit. This is not unusual for schools of your size. It is our responsibility to inform the School Board that this deficiency could result in a material misstatement to the financial statements and SEFA that would have not been prevented or detected by the School's management.

Repeat Finding from Prior Year: Yes, prior year finding 2018-001.

Recommendation: The School should implement review procedures for the externally prepared financial statements. The School should address the risks associated with the audit firm's preparation of the financial statements and the SEFA and decide to accept this degree of risk or assign appropriate qualified staff or an outside consultant to complete and review the annual financial statements.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-002 FINDING: Audit Adjustments

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Allowable Costs/Cost Principles, Activities Allowed or Unallowed, and Reporting

Questioned Costs: None

Condition and Cause: During the course of our engagement, we identified and proposed material audit adjustments. Adjustments were made to adjust accounts payable and the related expenditures, to adjust fiduciary income, to account for forgiveness of questioned costs, and to reclassify insurance proceeds from hail damage and related expenditures for repairs to the general fund. Additionally, we noted the School did not maintain sufficient documentation to support their fiduciary liability for monies received from students for student activities.

Criteria and Effect: It is management's responsibility to determine if the financial statements and SEFA are complete and free of material misstatements. Sufficient review of financial statements and expenditures on a regular basis will identify adjustments that need to be made for accurate financial statements. These adjustments were not recorded as part of the School's existing internal controls, and therefore, resulted in a material misstatement of the School's financial statements and to the SEFA. Additionally, we expressed a disclaimer of opinion on the aggregate remaining fund information of the School.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2019-002 FINDING: Audit Adjustments (Continued)

Repeat Finding from Prior Year: Yes, prior year finding 2018-002.

Recommendation: Adjustments necessary to comply with accounting principles generally accepted in the United States of America should be identified and recorded prior to the audit process. The School should identify and implement year end processes to adjust accounts to the actual balance based on subsidiary ledgers. The School should also implement procedures to track their student activities and record them in the School's general ledger as part of the financial statements.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-003 FINDING: Monitoring of Controls

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Equipment and Real Property Management and Special Tests and Provisions - Collateralization of Bank Accounts

Questioned Costs: None

Condition and Cause: During the audit process we noted deficiencies in internal controls. Control deficiencies were caused throughout the year by turnover within the business office. Specific instances noted included:

- 1. Bank reconciliations were not reconciled timely and were not reviewed.
- 2. There was no regular review of bank collateralization to determine if the School's funds are properly insured for amounts over the FDIC insurance threshold.
- 3. There was no review of 941s nor W-2 reports after they were completed.
- 4. The property inventory report is not reviewed for accuracy, the listing itself was not complete and the funding source is not being tracked for all assets within the listing.
- 5. IT controls need strengthened. The School does not have a formal written data security policy.
- 6. An internal control process and written procurement policy were not in place to ensure the School followed proper procurement standards. Two expenditures tested could not be verified with procurement history documentation.

Criteria and Effect: Internal controls should be continually monitored to ensure they have been implemented as designed. A strong review function is a necessary part of any internal control system, and the effectiveness of the internal control system relies on enforcement by management. Additionally, the lack of preparation of bank reconciliations and other subsidiary ledgers on a timely basis does not ensure the financial statements presented to the Board are complete to make sound business decisions. 25 USC 450e-3 requires deposits to be fully collateralized. If bank accounts are not fully collateralized, the School increases its risk of losing deposits in the case of bank failure. Uniform Guidance requires equipment records to include funding source and inventory counts to be reviewed. Without review of payroll tax documentation, improper reporting of payroll data could result in penalties and fines to the School. The lack of a written policy regarding computer controls may cause improper use of the School's computers. The School must have a written procurement policy and be able to show it has a procurement history of items purchased exceeding \$3,500. The effects of deficiencies in monitoring of internal controls can result in undetected errors or omissions or misappropriation of assets of the School.

Repeat Finding from Prior Year: Yes, prior year finding 2018-003.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONCLUDED)

MATERIAL WEAKNESSES (CONCLUDED)

2019-003 FINDING: Monitoring of Controls (Continued)

Recommendation: Specific recommendations are the following:

- 1. Bank reconciliations should be prepared on a timely basis without exceptions and reviewed, including investigation of older items needing to be cleared out prior to a month being closed out, after receiving the bank statement and before financial statements are printed out for the Board's review.
- 2. The business office should obtain the bank collateralization report from the bank, at least quarterly, and document the individuals' review to ensure the School's accounts are adequately collateralized.
- 3. Review of the proper tax documents by the Business Manager should be performed on a continual basis to ensure the accuracy of the data and compliance with all applicable tax regulations.
- 4. The School should update their capital asset tracking to include funding source to be compliant with the requirements. The physical inventory count should be reviewed in detail.
- 5. A formal policy and procedures manual should be developed for data security.
- 6. The School should obtain rate quotes from vendors for expenditures exceeding \$3,500 and keep the quotes to evidence proper procurement history. Recipients of federal grants must maintain a written procurement policy.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-004 FINDING: Testing Errors

Federal Programs Affected: Indian School Equalization Program (CFDA #15.042) and Indian Schools Student Transportation (CFDA #15.044)

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

Questioned Costs: None

Condition and Cause: We noted the following errors out of a sample of 76 during our testing of payroll transactions:

- 1. We noted three payroll transactions in which the employees were not paid time and a half for overtime hours, resulting in an error totaling \$171.33 (Indian School Equalization Program).
- 2. We noted one erroneous calculation between overtime and regular pay, which resulted in additional payment to the employee, resulting in an error totaling \$2.03 (Indian Schools Student Transportation).
- 3. We noted one erroneous calculation of a timesheet resulting in employee missing pay for time worked, resulting in an error totaling \$40.75 (Indian School Equalization Program).
- 4. We noted two cases where employees were overpaid either through erroneous overtime or additional hours not recorded on the timecards, resulting in an error totaling \$205.08 (Indian School Equalization Program).

Criteria and Effect: The School must verify that all overtime hours are paid at the proper rate. Lack of adequate documentation and review could result in questioned costs.

Repeat Finding from Prior Year: Yes, prior year finding 2018-004.

Recommendation: The School should determine how much overtime should have been paid over the year and pay those funds as soon as possible. The School should verify the clerical accuracy of timesheets to ensure employees are compensated for the proper number of hours.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDITS

The findings #2019-001, #2019-002, #2019-003, #2019-004 listed in Part B related to major programs as noted in each individual finding.

MATERIAL WEAKNESSES

2019-005 FINDING: Grant Reporting

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: The School did not file the grant annual report with the BIE, and the School did not file the final quarterly compliance report timely. The School did not have adequate policies and procedures in place for preparation and review of required compliance reports.

Criteria and Effect: Grant conditions for the above-mentioned major programs require a grant annual report, as well as quarterly reports, to be filed timely with the BIE. Failure to submit these reports timely could lead to sanctions related to Federal funding if compliance requirements continue to not be met. Without proper review of these reports, the information may not be accurate or may be misreported to the funding agency.

Repeat Finding from Prior Year: Yes, prior year finding 2018-005.

Recommendation: We recommend controls be designed and implemented to ensure required reports are prepared and reviewed properly based on general ledger information and filed timely with the proper funding agency.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-006 FINDING: Character Investigations

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Special Test and Provisions - Character Investigations

Questioned Costs:

	Indian School	
	Equalization	
	Program	
CFDA#	15.042	
Questioned Costs	\$	2,233
Sample Size		12,321
Total Population		1,506,110

Condition and Cause: During our compliance testing, we noted one instance in which the School's adjudicating official did not match the results of the various background checks to the application.

SCHEDULE OF FINDINGS (CONCLUDED) JUNE 30, 2019

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDITS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2019-006 FINDING: Character Investigations (Continued)

Criteria and Effect: Uniform Guidance requires the School to ensure that all existing and newly hired employees undergo a criminal history background check conducted through the identification division of the Federal Bureau of Investigation and through the State criminal history repositories of all States that an employee or prospective employee lists as current and former residences in an employment application. The investigation should cover the last five years of the individual's employment, education, etc. and must be updated every five years during employment. According to 25 CFR section 63.17, the adjudicating official must review each security investigation form and employment application and compare the information provided. Failure to properly adjudicate background checks increases the school's risk of employing an individual who does not meet the minimum standards required by grant conditions and results in questioned costs.

Repeat Finding from Prior Year: Yes, prior year finding 2018-006.

Recommendation: We recommend a policy be established to review all background checks to ensure that all required background checks are completed and reviewed in conjunction with the employment application. A person other than the manager of the investigations should complete this annual review.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019

Isna Wica Owayawa respectfully submits the following summary schedule of prior audit findings from the June 30, 2018 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2018 Schedule of Findings.

Finding 2018-001: Financial Statement and Schedule of Expenditures of Federal Awards (SEFA) Preparation Status: It is more cost effective for the School to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The School has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: June 30, 2010

Reason for Recurrence and Corrective Action Plan: As the School has accepted the risk associated with the auditor's preparation of the financial statements; it will be repeated in 2019, see Corrective Action Plan.

Update: Prior Business Manager, Eileen Olson is no longer employed with Isna Wica Owayawa, we have hired a new Business Manager that started in October of 2019 and is working with an independent CPA that is on contract with the School to help with finances. Business Manager has developed a cuff account to track expenditures and is working on developing a way to prepare financial statements for the boards review.

Finding 2018-002: Audit Adjustments

Status: The School continues to work on having adjustments made prior to the annual audit, but the results of the current audit resulted in significant audit adjustments.

Initial Year Report: June 30, 2011

Reason for Recurrence and Corrective Action Plan: The recurrence of the finding is due to a lack of time and processes in place to reconcile year end account balances to subsidiary ledgers. This finding is repeated in 2019, see Corrective Action Plan.

Update: Due to the COVID-19 pandemic all travel/trainings have been put on hold and we plan to check with our accounting software company to see if we can do an online webinar training on year end closeouts, they usually schedule this within the 4^{th} quarter right before the close-out period.

The Business Manager will work with the Independent CPA to learn the process of reconciling year end account balances to subsidiary ledgers so that we can eliminate the finding(s).



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Summary Schedule of Prior Audit Findings (Continued) June 30, 2019

Finding 2018-003: Monitoring of Controls

Status: The School has been making changes to internal controls and will continue to improve internal controls in the future.

Initial Year Report: June 30, 2006

Reason for Recurrence and Corrective Action Plan: The recurrence of the finding is due to a small business office with limited opportunities to segregate duties. The Business Manager expects to continue to make improvements in internal controls. This finding is repeated in 2019, see Corrective Action Plan.

Update: All expenses will require balances showing funds left in each account that are requested. A new requisition form has been implemented to require balances, and initials of the Business Manager for requests on purchases. The Principal will not approve expenses unless the initials are present for Business Manager.

Finding 2018-004: Testing Errors

Status: The School has procedures in place to review expenditures and ensure internal controls are implemented properly. Testing indicated a few instances where controls were not followed.

Initial Year Report: June 30, 2006

Reason for Recurrence and Corrective Action Plan: Improvements have been made from prior years and improvements will continue to be made. However this finding will be repeated in 2019, see Corrective Action Plan.

Update: The Business Manager has developed a cuff account to track all expenditures and ensure that all accounts and line items have positive balances in each and will not approve any expenses unless the funds are available in the line items. There is signature requirements for both the Business Manager and the Principal to sign off on the Requisitions before they will be processed. All negative line items will be presented to the board for modifications of the budget to ensure the funds are available and cover the costs.



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Summary Schedule of Prior Audit Findings (Continued) June 30, 2019

Finding 2018-005: Grant Reporting

Status: The School has procedures in place to prepare and review grant reporting requirements, but it currently does not include the grant annual report.

Initial Year Report: June 30, 2017

Reason for Recurrence and Corrective Action Plan: The grant annual report was not prepared. This finding will be repeated in 2019, see Corrective Action Plan.

Update: In review of this finding and new staffing hired we are now aware of the grant annual report not being prepared and will implement procedures to prepare a pre-audit checklist for review before our next annual audit to include the grant annual report as part of the items needed to be prepared.

Finding 2018-006: Character Investigations

Status: The School reviewed all character investigations and determined whether additional checks were required.

Initial Year Report: June 30, 2017

Reasons for Recurrence and Corrective Action Plan: Improvements have been made from prior years and improvements will continue to be made. However this finding will be repeated in 2019, see Corrective Action Plan.

Update: The School has hired a new Human Resource clerk that has been updated on requirements on Background investigations and has attended adjudication training and is now certified as an adjudicator. She is working closely with the BIE on updating all employee files so that they are in compliance with the Federal Regulations. All active personnel files have been reviewed and the Bureau of Indian Education has completed an audit of all Employee files



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2019 AUDIT CORRECTIVE ACTION PLAN June 21, 2020

2019 - 001 FINDING: Financial Statement and Schedule of Expenditures of Federal Awards (SEFA) Preparation

Condition and Cause: We were requested to draft the audited financial statements, related footnote disclosures, and the SEFA as part of the Regular audit services. Auditing standards require auditors to communicate this situation to the School Board as an internal control deficiency.

Recommendation: The School should implement review procedures for the externally prepared financial statements. The School should address the risks associated with the audit firm's preparation of the financial statements and the SEFA and decide to accept this degree of risk or assign appropriate qualified staff or an outside consultant to complete and review the annual financial statements.

<u>Response/Corrective Action Plan:</u> The school agrees with the above finding. In addition the School has hired a new Business Manager who will follow up on the preparation of the Financial Statements and Schedule of Expenditures of Federal Awards. She will work with the CPA company/Accounting Assistant to gather the knowledge needed to prepare the financial statements in the future to eliminate the need to request that the auditors complete this process.

A. 2019 – 002 FINDING: Audit Adjustments

Condition and Cause: During the course of our engagement, we identified and proposed material audit adjustments. Adjustments were made to adjust accounts payable and the related expenditures, to adjust fiduciary income, to account for forgiveness of questioned costs, and to reclassify insurance proceeds from hail damage and related expenditures for repairs to

the general fund. Additionally, we noted the School did not maintain sufficient documentation to support their fiduciary liability for monies received from students for student activities.

Recommendation: Adjustments necessary to comply with accounting principles generally accepted in the United States of America should be identified and recorded prior to the audit process. The School should identify and implement year end processes to adjust accounts to the actual balance based on subsidiary ledgers. The School should also implement procedures to track their student activities and record them in the school's general ledger as part of the financial statements.

Response/Corrective Action Plan: The School agrees with the above findings. There is a process that has been implemented to track the incoming student activities funds and a log that is updated regularly when the count by the Human Resource clerk occurs, and is kept in the business office which shows the count of all funds received. The funds are counted by the Athletic Director before they are brought to the Business Office where they are counted again by the Human Resources clerk and before they are prepared for deposit they are counted a third time to ensure the same amounts match up. This provides our checks and balances for incoming funds and documenting all cash receipts. The Business office will continue with tracking the incoming student activities funds and record them in the school General Ledger so that they will be reflected as part of the financial statements.

B. 2019 - 002 FINDING Audit Adjustments (Continued)

In reference to the financial statements and SEFA, the Business Manager will review financial statements and expenditures on a regular basis to identify adjustments that need to be made for accurate financial statements. Additionally, the Business Manager has implemented cuff accounts to track daily activities within the programs and expenditures to ensure monies are available in each line item before approval of requisitions are processed.

2019-003: FINDING Monitoring of Controls

Condition and Cause: During the audit process we noted deficiencies in internal controls. Control deficiencies were caused throughout the year by turnover within the business office. Specific instances noted included:

- 1. Bank reconciliations were not reconciled timely and were not reviewed.
- 2. There was no regular review of bank collateralization to determine if the School's funds are properly insured for amounts over the FDIC insurance threshold.
- 3. There was no review of 941's nor W-2 reports after they were completed.
- 4. The property inventory report is not reviewed for accuracy, the listing itself was not complete and the funding source is not being tracked for all assets within the listing.
- 5. IT controls need strengthened. The School does not have a formal written data security policy.

6. An internal control process and written procurement policy were not in place to ensure the School followed proper procurement standards. Two expenditures tested could not be verified with procurement history documentation.

Recommendation: Specific recommendations are the following:

- 1. Bank reconciliations should be prepared on a timely basis without exceptions and reviewed, including investigation of older items needing to be cleared out prior to a month being closed out, after receiving the bank statement and before financial statements are printed out for the Board's review.
- 2. The business office should obtain the bank collateralization report from the bank, at least quarterly, and document the individuals' review to ensure the School's accounts are adequately collateralized.
- 3. Review of the proper tax documents by the Business Manager should be performed on a continual basis to ensure the accuracy of the data and compliance with all applicable tax regulations.
- 4. The School should update their capital asset tracking to include funding source to be compliant with the requirements. The physical inventory count should be reviewed in detail.
- 5. A formal policy and procedures manual should be developed for data security.
- 6. The School should obtain rate quotes from vendors for expenditures exceeding \$3,500 and keep the quotes to evidence proper procurement history. Recipients of federal grants must maintain a written procurement policy (Uniform Guidance).

Response/Corrective Action Plan: The School agrees with the above findings.

- 1. The Business office is currently working on getting the Bank reconciliations up date.
- 2. The Business manager will contact the bank to request quarterly collateralization reports and forward to the Principal for review and initial each quarter.
- 3. Business Manager will review tax documents to ensure that all tax documents are correct and data is accurate and in compliance with applicable tax regulations.
- 4. Business Manager will work with the Property & Supply clerk to ensure inventory is up to date and that all inventory are tracked in accordance with their funding sources and kept up to date quarterly review will be performed.
- 5. Business Manager will work with the IT Specialist/Clerk to develop a formal policy and procedure manual for data security.
- 6. The Business Manager is currently working on updating a new Financial Management/Procurement Manual and will update information to include requirements to follow the Uniform Guidance regarding rate quotes from vendors for expenditures exceeding \$3,500 and keep the quotes to evidence proper procurement history.

2019 - 004 FINDING Testing Errors

Condition and Cause: We noted the following errors out of a sample of 76 during our testing of payroll transactions:

- 1. We noted three payroll transactions in which the employees were not paid time and a half for overtime hours, resulting in an error totaling \$171.33 (Indian School Equalization Program).
- 2. We noted one erroneous calculation between overtime and regular pay, which resulted in additional payment to the employee, resulting in an error totaling \$2.03 (Indian School Student Transportation).
- 3. We noted one erroneous calculation of a timesheet resulting in employee missing pay for time worked, resulting in an error totaling \$40.75 (Indian School Equalization Program).
- 4. We noted two cases where employees were overpaid either through erroneous overtime or additional hours not recorded on the timecards, resulting in an error totaling \$205.08 (Indian School Equalization Program).

Recommendation: The School should determine how much overtime shou? Id have been paid over the year and pay those funds as soon as possible. The School should verify the clerical accuracy of timesheets to ensure employees are compensated for the proper number of hours.

Response/Corrective Action Plan: The School agrees with the above findings.

- A review by the Payroll clerk to make corrections to transactions in which the
 employees were not paid time and a half for overtime hours will be corrected and
 those employees will be paid out the difference. More careful and stringent review
 of payroll files will be also done.
- 2. Payroll clerk will review the calculations and make necessary corrections as needed.
- 3. Review of calculations by the Payroll clerk will be done to correct any erroneous calculations as needed.
- 4. Review will be performed by the Payroll clerk and Business Manager of overtime or additional hours not recorded on timecards and corrections made as necessary.

2019 - 005 FINDING Grant Reporting

Condition and Cause: The school did not file the grant annual report with the BIE, and the School did not file the final quarterly compliance report timely. The School did not have adequate policies and procedures in place for preparation and review of required compliance reports.

Recommendations: We recommend controls be designed and implemented to ensure required reports are prepared and reviewed properly based on general ledger information and filed timely with the proper funding agency.

Response/Corrective Action Plan: The School agrees with the above findings.

As noted in Finding #1, the School has hired a new Business Manager that will be working closely with the CPA company that performed the audit for 2018-2019 to implement a process to follow to ensure that the findings have been addressed and corrected to best of her ability and will also follow said process to review all pertinent documentation and reviews as needed to comply with uniform guidance compliance and Government Auditing Standards.

2019 - 006 FINDING Character Investigations

Condition and Cause: During our compliance testing, we noted one instance in which the School's adjudicating official did not match the results of the various background checks to the application.

Recommendations: We recommend a policy be established to review all background checks to ensure that all required background checks are completed and reviewed in conjunction with the employment application. A person other than the manager of the investigations should complete this annual review.

Response/Corrective Action Plan: The Business office is currently in the process of review all personnel files and ensuring that all are within compliance with BIE standards and guidelines. The Human Resources clerk has attended training and is now a "Certified Adjudicator." In addition we have been preparing for an audit with BIE to review our Employee Personnel files however, due to the COVID-19 pandemic, it had to be put on hold per BIE due to suspension of all Government travel. It will be rescheduled as soon as it is safe for the audit team is able to travel. In the meantime, our Human Resource clerk has been pouring over our files and ensuring they are all within compliance.

Charleen Eagle Elk

From:

ERD FAC <govs.fac.ides@census.gov>

Sent:

Friday, July 10, 2020 11:37 AM

To:

SHELLEY@KTLLP.COM; Melissa M. Blacksmith; DJ@KTLLP.COM; Charleen Eagle Elk

Subject:

Single Audit Submission Accepted - ISNA WICA OWAYAWA (LONEMAN SCHOOL

(2019), Report ID: 836857

ORIGINAL DATE ACCEPTED BY FAC: 7/9/2020

AUDITEE NAME: ISNA WICA OWAYAWA (LONEMAN SCHOOL REPORT ID: 836857 FISCAL YEAR END DATE: 6/30/2019

The Single Audit submission for the above referenced organization has been accepted by the Federal Audit Clearinghouse (FAC). No further action is needed.

Your Original Date Accepted by FAC is: 7/9/2020. Please retain this e-mail for your records.

Sincerely,
Federal Audit Clearinghouse
https://harvester.census.gov/facides
govs.fac.ides@census.gov

SCHEDULE OF FINDINGS JUNE 30, 2019

A. SUMMARY OF AUDIT RESULTS

- The Independent Auditor's Report expresses an unmodified opinion on all of the financial statements of Isna Wica Owayawa (the School), except for a disclaimer of opinion expressed on the aggregate remaining fund information.
- Material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditor's 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.
- 3. An instance of noncompliance material to the financial statements of the School was disclosed during the audit.
- 4. Material weaknesses disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- 5. The auditor's report on compliance for the major federal award programs for the School expresses unmodified opinions on all major programs, as listed in #7.
- 6. Audit findings relative to the major federal award program for the School are reported in Part C of this schedule.
- 7. The programs tested as major programs include the following:

Major Programs	CFDA #'s		
U.S. Department of the Interior-Bureau of Indian Affairs: Indian School Equalization Program	15.042		
U.S. Department of Education Pass-Through U.S. Department of Interior – Bureau of Indian Affairs:			
Schoolwide Program: Title I Grants to Local Education Agencies	84.010		
Education for Homeless Children and Youth	84.196		
Title IIA Teacher Quality Partnership Grant	84.336		
Rural Education	84.358		

- 8. The threshold for distinguishing types A and B programs was \$750,000.
- 9. The School was not determined to be a low risk auditee.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2019-002 FINDING: Audit Adjustments (Continued)

Repeat Finding from Prior Year: Yes, prior year finding 2018-002.

Recommendation: Adjustments necessary to comply with accounting principles generally accepted in the United States of America should be identified and recorded prior to the audit process. The School should identify and implement year end processes to adjust accounts to the actual balance based on subsidiary ledgers. The School should also implement procedures to track their student activities and record them in the School's general ledger as part of the financial statements.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-003 FINDING: Monitoring of Controls

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Equipment and Real Property Management and Special Tests and Provisions - Collateralization of Bank Accounts

Questioned Costs: None

Condition and Cause: During the audit process we noted deficiencies in internal controls. Control deficiencies were caused throughout the year by turnover within the business office. Specific instances noted included:

- 1. Bank reconciliations were not reconciled timely and were not reviewed.
- 2. There was no regular review of bank collateralization to determine if the School's funds are properly insured for amounts over the FDIC insurance threshold.
- 3. There was no review of 941s nor W-2 reports after they were completed.
- 4. The property inventory report is not reviewed for accuracy, the listing itself was not complete and the funding source is not being tracked for all assets within the listing.
- 5. IT controls need strengthened. The School does not have a formal written data security policy.
- An internal control process and written procurement policy were not in place to ensure the School followed proper procurement standards. Two expenditures tested could not be verified with procurement history documentation.

Criteria and Effect: Internal controls should be continually monitored to ensure they have been implemented as designed. A strong review function is a necessary part of any internal control system, and the effectiveness of the internal control system relies on enforcement by management. Additionally, the lack of preparation of bank reconciliations and other subsidiary ledgers on a timely basis does not ensure the financial statements presented to the Board are complete to make sound business decisions. 25 USC 450e-3 requires deposits to be fully collateralized. If bank accounts are not fully collateralized, the School increases its risk of losing deposits in the case of bank failure. Uniform Guidance requires equipment records to include funding source and inventory counts to be reviewed. Without review of payroll tax documentation, improper reporting of payroll data could result in penalties and fines to the School. The lack of a written policy regarding computer controls may cause improper use of the School's computers. The School must have a written procurement policy and be able to show it has a procurement history of items purchased exceeding \$3,500. The effects of deficiencies in monitoring of internal controls can result in undetected errors or omissions or misappropriation of assets of the School.

Repeat Finding from Prior Year: Yes, prior year finding 2018-003.

SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2019

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDITS

The findings #2019-001, #2019-002, #2019-003, #2019-004 listed in Part B related to major programs as noted in each individual finding.

MATERIAL WEAKNESSES

2019-005 FINDING: Grant Reporting

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: The School did not file the grant annual report with the BIE, and the School did not file the final quarterly compliance report timely. The School did not have adequate policies and procedures in place for preparation and review of required compliance reports.

Criteria and Effect: Grant conditions for the above-mentioned major programs require a grant annual report, as well as quarterly reports, to be filed timely with the BIE. Failure to submit these reports timely could lead to sanctions related to Federal funding if compliance requirements continue to not be met. Without proper review of these reports, the information may not be accurate or may be misreported to the funding agency.

Repeat Finding from Prior Year: Yes, prior year finding 2018-005.

Recommendation: We recommend controls be designed and implemented to ensure required reports are prepared and reviewed properly based on general ledger information and filed timely with the proper funding agency.

Response/Corrective Action Plan: The School agrees with the above finding. See Corrective Action Plan.

2019-006 FINDING: Character Investigations

Federal Program Affected: Indian School Equalization Program (CFDA #15.042)

Compliance Requirement: Special Test and Provisions - Character Investigations

Questioned Costs:

	Indian School	
	Equalization	
	Program	
CFDA#	15.042	
Questioned Costs	\$	2,233
Sample Size		12,321
Total Population		1,506,110

Condition and Cause: During our compliance testing, we noted one instance in which the School's adjudicating official did not match the results of the various background checks to the application.





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Summary Schedule of Prior Audit Findings (Continued) June 30, 2019

Finding 2018-005: Grant Reporting

Status: The School has procedures in place to prepare and review grant reporting requirements, but it currently does not include the grant annual report.

Initial Year Report: June 30, 2017

Reason for Recurrence and Corrective Action Plan: The grant annual report was not prepared. This finding will be repeated in 2019, see Corrective Action Plan.

Update: In review of this finding and new staffing hired we are now aware of the grant annual report not being prepared and will implement procedures to prepare a pre-audit checklist for review before our next annual audit to include the grant annual report as part of the items needed to be prepared.

Finding 2018-006: Character Investigations

Status: The School reviewed all character investigations and determined whether additional checks were required.

Initial Year Report: June 30, 2017

Reasons for Recurrence and Corrective Action Plan: Improvements have been made from prior years and improvements will continue to be made. However this finding will be repeated in 2019, see Corrective Action Plan.

Update: The School has hired a new Human Resource clerk that has been updated on requirements on Background investigations and has attended adjudication training and is now certified as an adjudicator. She is working closely with the BIE on updating all employee files so that they are in compliance with the Federal Regulations. All active personnel files have been reviewed and the Bureau of Indian Education has completed an audit of all Employee files

6. An internal control process and written procurement poincy were not in place to ensure the School followed proper procurement standards. Two expenditures tested could not be verified with procurement history documentation.

Recommendation: Specific recommendations are the following:

- Bank reconciliations should be prepared on a timely basis without exceptions and reviewed, including investigation of older items needing to be cleared out prior to a month being closed out, after receiving the bank statement and before financial statements are printed out for the Board's review.
- 2. The business office should obtain the bank collateralization report from the bank, at least quarterly, and document the individuals' review to ensure the School's accounts are adequately collateralized.
- 3. Review of the proper tax documents by the Business Manager should be performed on a continual basis to ensure the accuracy of the data and compliance with all applicable tax regulations.
- 4. The School should update their capital asset tracking to include funding source to be compliant with the requirements. The physical inventory count should be reviewed in detail.
- 5. A formal policy and procedures manual should be developed for data security.
- 6. The School should obtain rate quotes from vendors for expenditures exceeding \$3,500 and keep the quotes to evidence proper procurement history. Recipients of federal grants must maintain a written procurement policy (Uniform Guidance).

Response/Corrective Action Plan: The School agrees with the above findings.

- 1. The Business office is currently working on getting the Bank reconciliations up date.
- 2. The Business manager will contact the bank to request quarterly collateralization reports and forward to the Principal for review and initial each quarter.
- 3. Business Manager will review tax documents to ensure that all tax documents are correct and data is accurate and in compliance with applicable tax regulations.
- 4. Business Manager will work with the Property & Supply clerk to ensure inventory is up to date and that all inventory are tracked in accordance with their funding sources and kept up to date quarterly review will be performed.
- 5. Business Manager will work with the IT Specialist/Clerk to develop a formal policy and procedure manual for data security.
- 6. The Business Manager is currently working on updating a new Financial Management/Procurement Manual and will update information to include requirements to follow the Uniform Guidance regarding rate quotes from vendors for expenditures exceeding \$3,500 and keep the quotes to evidence proper procurement history.

Recommendations: We recommend controls be designed and implemented to ensure required reports are prepared and reviewed properly based on general ledger information and filed timely with the proper funding agency.

Response/Corrective Action Plan: The School agrees with the above findings.

As noted in Finding #1, the School has hired a new Business Manager that will be working closely with the CPA company that performed the audit for 2018-2019 to implement a process to follow to ensure that the findings have been addressed and corrected to best of her ability and will also follow said process to review all pertinent documentation and reviews as needed to comply with uniform guidance compliance and Government Auditing Standards.

2019 - 006 FINDING Character Investigations

Condition and Cause: During our compliance testing, we noted one instance in which the School's adjudicating official did not match the results of the various background checks to the application.

Recommendations: We recommend a policy be established to review all background checks to ensure that all required background checks are completed and reviewed in conjunction with the employment application. A person other than the manager of the investigations should complete this annual review.

Response/Corrective Action Plan: The Business office is currently in the process of review all personnel files and ensuring that all are within compliance with BIE standards and guidelines. The Human Resources clerk has attended training and is now a "Certified Adjudicator." In addition we have been preparing for an audit with BIE to review our Employee Personnel files however, due to the COVID-19 pandemic, it had to be put on hold per BIE due to suspension of all Government travel. It will be rescheduled as soon as it is safe for the audit team is able to travel. In the meantime, our Human Resource clerk has been pouring over our files and ensuring they are all within compliance.