# ISNA WICA OWAYAWA (LONEMAN SCHOOL)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT JUNE 30, 2018



# TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3-5
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds Balance Sheet	8
Reconciliation of Governmental Funds Balance Sheet to Government-wide Statement of Net Position	9
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to Government-wide Statement of Activities	11
Statement of Fiduciary Net Position	12
Notes to Financial Statements	13-22
Required Supplementary Information:	
Budgetary Comparison Schedule – Budgetary Basis - General Fund	24
Budgetary Comparison Schedule – Budgetary Basis - Educational Programs Fund.	25
Budgetary Comparison Schedule – Budgetary Basis - Support Programs Fund	26
Notes to Required Supplementary Information	27
Single Audit Information:	
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	29-30
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	31-32
Schedule of Findings	33-38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Management Response:	
Summary Schedule of Prior Audit Findings	42-43
Corrective Action Plan	44-45



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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, 2018, 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, 2018, 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 audits 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. There is only one fund 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, 2018. Accordingly, we do not express an opinion on the aggregate remaining fund information as of and for the year ended June 30, 2018.

**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, 2018, 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 10 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 10. 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 24 to 27 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 39, 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 March 7, 2019 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

March 7, 2019

# STATEMENT OF NET POSITION JUNE 30, 2018

JUNE 30, 2018	Go	overnmental Activities
ASSETS (Note 6)		
Cash	\$	4,832,142
Due from Grantor (Note 2)		351,525
Interfund Receivable (Note 3)		10,319
Inventory		12,034
Prepaid Expenses		33,577
Capital Assets, Net of Depreciation (Note 4)		703,280
TOTAL ASSETS	\$	5,942,877
LIABILITIES_		
Accounts Payable	\$	31,094
Accrued Liabilities		211,492
Disallowed Costs Payable (Note 5)		3,106,140
Compensated Absences (Note 6)		
Due Within One Year		8,483
Capital Lease Payable (Note 6)		
Due Within One Year		2,126
Due in More than One Year		6,928
TOTAL LIABILITIES		3,366,263
NET POSITION		
Net Investment in Capital Assets		694,226
Restricted		
Indian School Equalization Program		2,079,686
Special Education - Part B		975,089
Title Programs		839,586
Administrative		288,541
Program Enhancement		176,243
Transportation		250,264
Facilities Operation and Maintenance		90,270
Quarters Maintenance, Improvement and Repair		80,269
Assessment Grant		62,826
Program Adjustment - Safe and Secure Schools		49,567
Student Support and Academic Enrichment		10,000
Suicide Prevention		4,694
Running Strong		144
Unrestricted Deficit		(3,024,791)
TOTAL NET POSITION		2,576,614
	\$	5,942,877
TOTAL LIABILITIES AND NET POSITION	<u> </u>	292 120011

# STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FOR THE YEAR ENDED JUNE 30, 2018				Duo é uo	m Do	a con u os	an	t (Expense) Revenue d Changes Net Position	
			_	Progra		venues Operating	111 1	Total	
			_	harges for		rants and	Go	vernmental	
Functions/Programs		Expenses		Services		ntributions_	Activities		
Governmental Activities:									
Instruction									
Basic Operations	\$	1,696,724	\$	_	\$	2,238,741	\$	542,017	
Special Education-Part B	Ψ	426,411	*	_		527,150		100,739	
Title Programs		522,591		_		644,234		121,643	
Program Enhancement		43,347		_		35,000		(8,347)	
Program Adjustment		11,774		_		45,000		33,226	
Support Services		22,7.				,		•	
Transportation		396,684		-		521,980		125,296	
Administration		413,749		-		692,310		278,561	
Facilities		420,130		-		418,527		(1,603)	
Food Service		161,972		9,701		162,717		10,446	
General		,		,					
Housing		34,090		39,278		-		5,188	
General Operations		103,843		_		_		(103,843)	
		4,231,315		48,979		5,285,659		1,103,323	
Total Primary Government	\$	4,231,315	\$	48,979	\$	5,285,659		1,103,323	
	Gei	neral Reven	ues						
		enue from L		Sources				39,057	
				ents and Dep	osits			14,437	
		cellaneous						9,007	
		n on Sale of	Ass	ets				1,000	
	_	al General l						63,501	
	Ch	ange in Net	Posi	tion				1,166,824	
	Net	Position J		1,409,790					
		Position					\$	2,576,614	

ISNA WICA OWAYAWA

# GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General Fund	-	ducational Programs Fund	Support Programs Fund	Co	onstruction Fund	Go	Total overnmental Funds
ASSETS								
Cash	\$ 153,229	\$	4,315,681	\$ 359,957	\$	3,275	\$	4,832,142
Due from Grantor (Note 2)	-		45,000	306,525		-		351,525
Interfund Receivable (Note 3)	10,319		3,271	-		-		13,590
Inventory	-		-	12,034		-		12,034
Prepaid Expenses			26,526	7,051				33,577
TOTAL ASSETS	\$ 163,548	\$	4,390,478	\$ 685,567	\$	3,275	\$	5,242,868
LIABILITIES								
Accounts Payable	\$ 170	\$	519	\$ 30,405	\$	-	\$	31,094
Accrued Liabilities	458		192,210	18,824		-		211,492
Disallowed Costs Payable (Note 5)	3,106,140		-	-		-		3,106,140
Interfund Payable (Note 3)	-		_	_		3,271		3,271
TOTAL LIABILITIES	3,106,768		192,729	49,229		3,271		3,351,997
FUND BALANCES								
Nonspendable-Inventory	_		_	12,034		-		12,034
Nonspendable-Prepaid Expenses	-		26,526	7,051		-		33,577
Restricted (Note 7)	80,269		4,171,223	617,253		-		4,868,745
Unassigned (Note 10)	(3,023,489)		_	-		4		(3,023,485)
TOTAL FUND BALANCES (DEFICIT)	(2,943,220)		4,197,749	636,338		4		1,890,871
TOTAL LIABILITIES AND								
FUND BALANCES (DEFICIT)	\$ 163,548	\$	4,390,478	\$ 685,567	\$	3,275	\$	5,242,868

# RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2018

Net Position - Governmental Activities	\$ 2,576,614
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(9,054)
Accrued absences do not require current financial resources. Therefore, they are not reported as a liability in the governmental funds balance sheet.	(8,483)
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.	703,280
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Fund Balance - Governmental Funds	\$ 1,890,871

ISNA WICA OWAYAWA

# GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	_	General Fund		lucational rograms Fund		Support Programs Fund	C	onstruction Fund	Go	Total vernmental Funds
REVENUES			_		•	1 (22 017	Ф		æ	5 122 042
Revenue from Federal Sources	\$	- 5	\$	3,490,125	\$	1,632,817	\$	-	\$	5,122,942
Revenue from State Sources		-		-		162,717		-		162,717 39,278
Rentals		39,278		-		-		-		39,278
Revenue from Local Sources		39,057		-		-		4		14,437
Earnings on Investments and Deposits		14,433		-		- 500		4		9,007
Miscellaneous Revenue		8,507		-		500		-		9,701
Charges for Services	-	101.055		2 400 125	_	9,701		4		5,397,139
TOTAL REVENUES	_	101,275		3,490,125		1,805,735		- 4		3,377,137
EXPENDITURES (Note 8)										
Instruction:										
Basic Operations		-		1,694,290		-		-		1,694,290
Title Programs		-		522,177		-		-		522,177
Special Education-Part B		-		416,106		-		-		416,106
Program Enhancement		-		43,347		-		-		43,347
Program Adjustment		-		11,649		-		-		11,649
Support Services:										
Facilities		-		-		418,820		-		418,820
Administration		-		-		410,243		-		410,243
Transportation		-		-		352,884		-		352,884
Food Service		-		_		161,972		-		161,972
General:										
Housing		33,672		-		-		-		33,672
General Operations		3,482		-		-		-		3,482
Capital Outlay (Note 4):		-		304,505		-		-		304,505
Debt Service (Note 6):		-		2,170		12,962		-		15,132
TOTAL EXPENDITURES		37,154		2,994,244		1,356,881		-		4,388,279
Excess of Revenues Over Expenditures		64,121		495,881		448,854		4		1,008,860
Other Financing Sources (Uses)										
Disallowed Costs Expenditure (Note 5)		(100,361)		_		-		-		(100,361)
Proceeds from Sale of Capital Assets		1,000		-		-		-		1,000
Transfers In (Out) (Note 3)		206,585		10,446		(217,031)		-		
Total Other Financing Sources (Uses)		107,224		10,446		(217,031)				(99,361)
Net Change in Fund Balances		171,345		506,327		231,823		4		909,499
Fund Balance (Deficit) - June 30, 2017		(3,114,565)		3,691,422		404,515		-		981,372
Fund Balance (Deficit) - June 30, 2018	\$	(2,943,220)	<u>\$</u>	4,197,749	\$	636,338	\$	4	\$	1,890,871

# 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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 909,499
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.	230,705
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	13,883
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.	12,737
Change in Net Position - Governmental Activities	\$ 1,166,824

# STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2018

	Agenc Funds			
ASSETS Cash	\$	20,266		
TOTAL ASSETS	\$	20,266		
LIABILITIES  Line Could Depth (New 2)	\$	10,319		
Interfund Payable (Note 3) Custodial Liability	ф 	9,947		
TOTAL LIABILITIES	3	20,266		

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

# (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, 2018

# (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, 2018

# (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, 2018

# (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, 2018

# (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:

- 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.
- 2. 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, 2018.

## **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, 2018, 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.

### Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a depository failure, the School's deposits may not be returned. As of June 30, 2018, all bank balances were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the pledging financial institution.

### **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
- 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 5).

# NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

# (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, 2018.
- 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, 2018.
- 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, 2018, 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, 2018

# (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 lessee 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, 2021.

### (2) Due from Grantor

Amounts due from grantor as of June 30, 2018 consists of \$351,525 due from the Department of the Interior, Bureau of Indian Education.

# (3) 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. Both are expected to be repaid within the next year. Amounts consist of the following at June 30, 2018:

Fund	In Re	Interfund Payable	
General Fund	\$	10,319	\$ -
Education Fund		3,271	-
Construction Fund		-	3,271
Agency Fund		-	10,319
Total Interfund Balances	\$	13,590	\$ 13,590

Interfund transfers for the year ended June 30, 2018, were as follows:

			Ec	lucational		Support
Transfers		eral Fund		Programs Fund		grams Fund
Transfers of grant funding to repay due to other fur	nds associated	d with overs	pendir	ng in prior ye	ars:	
General	\$	206,585		-	\$	-
Administration		-		-		(206,585)
Transfers of grant funding to cover allowable exper	nditures that	exceed prog	ram re	evenues and a	vaila	ble
carryover:						
Basic Operations		-		10,446		-
Food Service		-		<u>-</u>		(10,446)
Total Transfers	\$	206,585	\$	10,446	\$	(217,031)

# NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

## (4) Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018 is shown below.

							Balance
Jur	ie 30, 2017		Additions	Γ	Deletions	Ju	ne 30, 2018
\$	69,539	\$	-	\$	69,539	\$	-
	13,750		-		13,750		-
	688,631		374,044		-		1,062,675
	771,920		374,044		83,289		1,062,675
	13,334		416		13,750		-
	286,011		73,384				359,395
	299,345		73,800		13,750		359,395
\$	472,575	\$	300,244	\$	69,539	\$	703,280
	_ Jur	13,750 688,631 771,920 13,334 286,011	June 30, 2017  \$ 69,539 \$  13,750 688,631 771,920  13,334 286,011	June 30, 2017 Additions  \$ 69,539 \$ -  13,750 - 688,631 374,044  771,920 374,044  13,334 416 286,011 73,384	June 30, 2017 Additions II  \$ 69,539 \$ - \$  13,750 - 688,631 374,044  771,920 374,044  13,334 416 286,011 73,384	June 30, 2017       Additions       Deletions         \$ 69,539       -       \$ 69,539         13,750       -       13,750         688,631       374,044       -         771,920       374,044       83,289         13,334       416       13,750         286,011       73,384       -         299,345       73,800       13,750	June 30, 2017       Additions       Deletions       June June June June June June June June

Transportation	\$ 46,310
SPED B	10,305
Basic Operations	10,111
Facilities	3,620
Administration	2,910
Housing	418
Program Adjustment	126
	\$ 73,800
Total Depreciation Expense	\$ 73,800

# (5) Disallowed Costs Payable, Questioned Costs, and Noncompliance Contingency

Disallowed Costs Payable consists of the following at June 30, 2018:

Bill of Collection Date	For Year Ending	I	Bill of Collection 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
November 19, 2018	June 30, 2017		100,361
<b>Total Disallowed Costs Payable</b>		\$	3,106,140

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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

# (6) Long-Term Liabilities

The following is a summary of changes in long-term liabilities during the year ended June 30, 2018:

	P	Note Payable	Capital Lease	mpensated Absences	Total
Governmental Activities Long-Term Liabilities July 1, 2017 Additions Reductions	\$	11,757 - (11,757)	\$ 11,180 - (2,126)	\$ 21,220 39,479 (52,216)	\$ 44,157 39,479 (66,099)
Long-Term Liabilities June 30, 2018	\$	-	\$ 9,054	\$ 8,483	\$ 17,537
Due Within One Year	\$	-	\$ 2,126	\$ 8,483	\$ 10,609

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, 2018, of \$4,127. 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, 2018, excluding compensated absences, are as follows:

Capital Lease					
Pr	incipal	Ir	iterest		
\$	2,375	\$	888		
	2,652		612		
	2,964		300		
	1,063		25		
\$	9,054	\$	1,825		
	\$	Principal \$ 2,375 2,652 2,964 1,063	Principal In \$ 2,375 \$ 2,652 2,964 1,063		

Total interest expense was \$1,249 for the year ended June 30, 2018.

# NOTES TO FINANCIAL STATEMENTS (CONCLUDED) JUNE 30, 2018

### (7) Grant Carryover

Fund balances at June 30, 2018, 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, 2018 are as follows:

balances at June 30, 2018 are as follows:		Ti Januari da mal	Cummout	
		Educational	Support	7D-4-1
Grant Carryover	General	Programs	Programs	Total
Indian School Equalization Program	\$ -	\$ 2,080,907	\$ -	\$ 2,080,907
Special Education - Part B	-	975,089	-	975,089
Title Programs	-	838,279	-	838,279
Administrative	-	-	291,449	291,449
Program Enhancement	-	176,243	-	176,243
Transportation	-	-	253,087	253,087
Facilities Operation and Maintenance	-	-	91,802	91,802
Quarters Maintenance, Improvement and Repair	80,269	-	-	80,269
Assessment Grant	-	62,826	-	62,826
Program Adjustment - Safe and Secure Schools	-	49,567	-	49,567
Student Support and Academic Enrichment	-	10,000	-	10,000
Suicide Prevention	-	4,694	-	4,694
Running Strong (non-federal)	_	144	-	144
Total Grant Carryover	80,269	4,197,749	636,338	4,914,356
*				
Less Nonexpendable Portion of Grant Carryover:				
Prepaid Expenses	-	(26,526)	(7,051)	(33,577)
Inventory	-	-	(12,034)	(12,034)
Total Restricted Fund Balances	\$ 80,269	\$ 4,171,223	\$ 617,253	\$ 4,868,745

# (8) Employee Retirement Plan

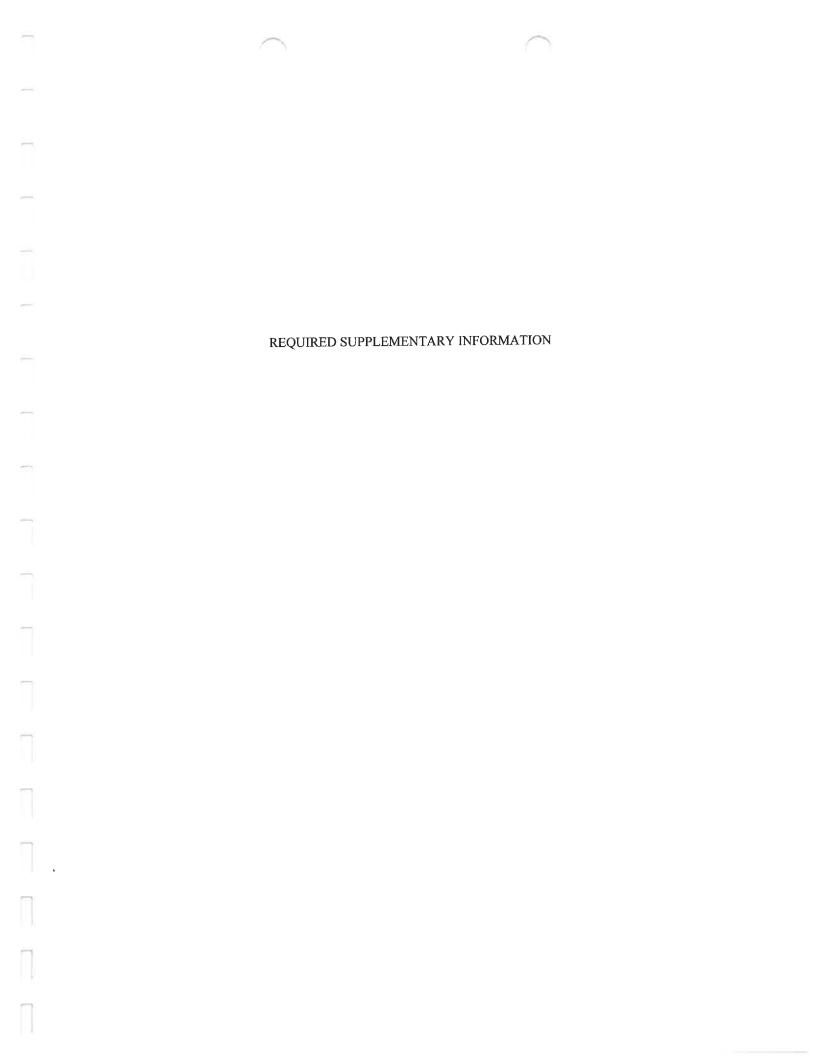
The School has a 401(k) plan available for its employees. The School is required to match two percent of each eligible employee's salary. Each employee is allowed to contribute to the plan each year, however they are not required to. The School's matching contributions for the years ended June 30, 2018, 2017, and 2016 totaled \$30,010, \$41,756, and \$27,306. 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.

### (9) 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.

#### (10) Going Concern

At June 30, 2018, the School reports a fund deficit of \$2,943,220 in the general fund mainly due to the questioned costs payable balance from prior years. This represents a decrease in the deficit of \$171,345 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.



ISNA WICA OWAYAWA

# BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	11.	Original and Final Budget		Actual- Budgetary Basis	Fa	ariance avorable favorable)
REVENUES			_	20.272	Φ	(222)
Rentals	\$	39,500	\$	,	\$	(222)
Revenue from Local Sources		-		39,057		39,057
Earnings on Investments and Deposits		-		14,433		14,433
Miscellaneous Revenue				8,507		8,507
Total Revenues		39,500		101,275		61,775
EXPENDITURES						
Supplies		5,000		13,796		(8,796)
Personnel and Fringe Benefits		13,500		9,013		4,487
Utilities		9,000		8,994		6
Other		-		3,482		(3,482)
Contractual and Professional Services		3,000		1,869		1,131
Repairs and Maintenance		9,000				9,000
Total Expenditures		39,500		37,154		2,346
Excess of Revenues Over Expenditures		-		64,121		64,121
Other Financing Sources (Uses)						
Disallowed Costs Expenditure		-		(100,361)		(100,361)
Proceeds from Sale of Capital Assets		-		1,000		1,000
Transfers In				206,585		206,585
Total Other Financing Sources (Uses)		-		107,224		107,224
Net Change in Fund Deficit		-		171,345		171,345
Fund Deficit June 30, 2017		(3,114,565)		(3,114,565)		
Fund Deficit June 30, 2018	\$	(3,114,565)	\$	(2,943,220)	\$	171,345

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, 2018

	 Original and Final Budget	Actual- Budgetary Basis	I	Variance Favorable nfavorable)
REVENUES			_	(40.000)
Revenue from Federal Sources	\$ 3,530,415	\$ 3,490,125	\$	(40,290)
Total Revenues	3,530,415	 3,490,125		(40,290)
EXPENDITURES	1 006 701	2.002.690		(206,899)
Personnel and Fringe Benefits	1,886,781	2,093,680		
Equipment	222,000	153,313		68,687
Supplies	150,547	142,527		8,020
Student Activities	313,587	137,849		175,738
Contractual and Professional Services	187,326	134,754		52,572
Other	753,085	129,591		623,494
Repairs and Maintenance	-	115,366		(115,366)
Travel	129,000	43,465		85,535
Insurance	28,286	28,883		(597)
Training	31,546	9,357		22,189
Utilities	-	2,704		(2,704)
Debt Service	-	2,170		(2,170)
Lease	_	585		(585)
Total Expenditures	3,702,158	2,994,244		707,914
Excess of Revenues Over (Under) Expenditures	(171,743)	495,881		667,624
Other Financing Sources				
Transfers In	-	10,446		10,446
Net Change in Fund Balance	(171,743)	506,327		678,070
Fund Balance June 30, 2017	3,691,422	3,691,422		
Fund Balance June 30, 2018	\$ 3,519,679	\$ 4,197,749	\$	678,070

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, 2018

		Original and Final		Actual- Budgetary Basis		Variance Favorable Infavorable)
	_	Budget	_	Dasis		mavorable
REVENUES	\$	1,398,101	\$	1,632,817	\$	234,716
Revenue from Federal Sources	Ф	1,396,101	Ф	162,717	Ψ	162,717
Revenue from State Sources		_		9,701		9,701
Charges for Services		_		500		500
Miscellaneous Revenue		1,398,101		1,805,735		407,634
Total Revenues		1,570,101		1,000,700		107,000
EXPENDITURES						
Personnel and Fringe Benefits		628,266		645,503		(17,237)
Utilities		118,300		207,675		(89,375)
Food Supplies		114,500		138,068		(23,568)
Contractual and Professional Services		115,500		134,042		(18,542)
Supplies		89,000		81,755		7,245
Repairs and Maintenance		48,000		49,986		(1,986)
Insurance		46,500		37,084		9,416
Other		18,900		23,370		(4,470)
School Board		25,500		13,312		12,188
Debt Service		11,867		12,962		(1,095)
Training		10,571		5,000		5,571
Travel		47,500		4,161		43,339
Leases		5,500		2,016		3,484
Equipment		44,550		1,947		42,603
Total Expenditures		1,324,454		1,356,881		(32,427)
Excess of Revenues Over Expenditures		73,647		448,854		375,207
Other Financing Uses						(0.1 = 0.0.1)
Transfers Out				(217,031)		(217,031)
Net Change in Fund Balance		73,647		231,823		158,176
Fund Balance June 30, 2017		404,515		404,515		<u> </u>
Fund Balance June 30, 2018	\$	478,162	\$	636,338	\$	158,176

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

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

## (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, 2018. 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, 2018 or June 30, 2017.





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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, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 7, 2019. We were engaged to audit the aggregate remaining fund information of the School for the year ended June 30, 2018. 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 #2018-001, #2018-002, #2018-003, and #2018-004, 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 #2018-004.

## 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

et Photology, LLP

March 7, 2019



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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, 2018. 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 Programs

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, 2018.

### **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 #2018-003, 2018-004, 2018-005, and 2018-006. 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 with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 #2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006 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

March 7, 2019

# SCHEDULE OF FINDINGS JUNE 30, 2018

## 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.
- 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 Indian Education Facilities, Operations, and Maintenance	15.042 15.047

- 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, 2018

# B. Findings - Financial Statement Audit

### Material Weaknesses

2018-001 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 2017-001.

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 attached Corrective Action Plan.

### 2018-002 FINDING: Audit Adjustments

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

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 inventory, grants receivable, and questioned costs payable and reclassify revenue and expenditures. 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 on the aggregate remaining fund information of the School.

## SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2018

# B. Findings - Financial Statement Audit (Continued)

### Material Weaknesses (Continued)

2018-002 FINDING: Audit Adjustments (Continued)

Repeat Finding from Prior Year: Yes, prior year finding 2017-002.

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 attached Corrective Action Plan.

# 2018-003 FINDING: Monitoring of Controls

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

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

Ouestioned 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. There was no timely year end reconciliation process to adjust the trial balance to subsidiary ledgers.
- 2. Bank reconciliations were not reconciled or reviewed on a regular basis.
- 3. 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.
- 4. There was no review of 941s nor W-2 reports after they were completed.
- 5. The property inventory report is not reviewed for accuracy, the listing itself was not complete and the funding source is not being tracked within the listing.
- 6. IT controls need strengthened. The School does not have a formal written data security policy.
- 7. The School does not have an internal control process in place to meet the compliance requirement for suspension and debarment of contractors paid with federal funds. The School did not verify prior to doing business with vendors that they were not on the federal suspended or debarred list.

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 effects of deficiencies in monitoring of internal controls can result in undetected errors or omissions or misappropriation of assets of the School. Per Uniform Guidance, recipients of federal grants are prohibited from contracting with or making sub-awards under covered transactions to parties suspended or debarred with the federal government. The recipient of federal grants must verify the entity is not suspended or debarred with federal requirements.

# SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2018

# B. Findings - Financial Statement Audit (Concluded)

Material Weaknesses (Concluded)

2018-003 FINDING: Monitoring of Controls (Continued)

Repeat Finding from Prior Year: Yes, prior year finding 2017-004.

Recommendation: Specific recommendations are the following:

1. Subsequent to year end, an external accountant was hired to adjust balances to actual. We recommend continuing this relationship to ensure accurate financials.

2. 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.

3. 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.

4. Review of the proper tax documents by the Business Manager should be performed on a continuous basis to ensure the accuracy of the data and compliance with all applicable tax regulations.

5. 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.

6. A formal policy and procedures manual should be developed for data security.

The School should adopt a policy to verify covered transactions do not transpire with suspended or debarred parties prior to acquiring goods or services from vendors.

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

# 2018-004 FINDING: Testing Errors

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

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

Questioned Costs: None

Condition and Cause: We noted the following errors during our sample testing of payroll and non-payroll disbursement transactions:

1. We noted ten payroll transactions, out of a sample of 117, in which the employees were not paid time and a half for overtime hours.

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 2017-005.

Recommendation: The School should determine how much overtime should have been paid over the year and pay those funds as soon as possible.

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

# SCHEDULE OF FINDINGS (CONTINUED) JUNE 30, 2018

# C. Findings and Questioned Costs - Major Federal Award Program Audit

The findings #2018-001, #2018-002, #2018-003, #2018-004 listed in Part B related to major programs as noted in each individual finding.

### **Material Weaknesses**

# 2018-005 FINDING: Grant Reporting

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

Compliance Requirement: Reporting

Ouestioned Costs: None

Condition and Cause: The School did not file the grant annual report with the BIE. 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 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.

Repeat Finding from Prior Year: Yes, prior year finding 2017-006.

Recommendation: We recommend controls be designed and implemented to ensure required reports are prepared and reviewed properly based on general ledger information.

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

# 2018-006 FINDING: Character Investigations

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

Compliance Requirement: Special Test and Provisions - Character Investigations

# **Questioned Costs:**

		Indian			
	1	Education			
	]	Facilities,	In	dian School	
	(	Operation,	E	qualization	
	Maintenance		Program		
CFDA#		15.047		15.042	
Ouestioned Costs	\$	1,040	\$	904	
Sample Size		2,656		10,852	
Total Population		183,401		1,395,718	

Condition and Cause: During our compliance testing, we noted one instance in which the School's adjudication documentation did not include all noted items from the background check and no signature certifying the determination made and one instance where the tribal background check was missing from a file.

# SCHEDULE OF FINDINGS (CONCLUDED) JUNE 30, 2017

# C. Findings and Questioned Costs - Major Federal Award Program Audit (Continued)

## Material Weaknesses (Continued)

2018-006 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. Failure to perform and maintain current 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 2017-007.

Recommendation: We recommend a policy be established to review all background checks to ensure that all required background checks are completed and reviewed. 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 attached Corrective Action Plan.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

FOR THE YEAR ENDED JUNE 30, 2018	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	\$	1,845,625
Indian Schools Student Transportation	A16AV00749	15.044		364,252
Administrative Cost Grants for Indian Schools	A16AV00749	15.046		617,923
Indian Education Facilities, Operations, and Maintenance	A16AV00749	15.047		418,818
Program Adjustments - Safe and Secure Schools	A16AV00749	15.149		19,184
Education Enhancements	A16AV00749	15.151		43,347
Total U.S. Department of Interior Bureau of Indian Affairs				3,309,149
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		389,640
Special Education Part B	A16AV00749	84.027		483,179
Education for Homeless Children and Youth (Note 3)	A16AV00749	84.196		26,000
Title IIA Teacher Quality Partnership Grant (Note 3)	A16AV00749	84.336		52,100
Title VI Part B - Rural Education	A16AV00749	84.358B		2,850
Pass-Through Funding - Oglala Lakota County School District 65-1	1			
Impact Aid (P.L. 81-874)	N/A	84.041		76,251
Direct Funding:				
Indian Education Grants to Local Education Agencies	S060A161074	84.060A		45,624
Total U.S. Department of Education				1,075,644
U.S. Department of Agriculture				
Pass-Through the S.D. Department of Education				
Child Nutrition Cluster:		10.555		05.057
National School Lunch Program (Note 2)	65-30700	10.555		95,957
School Breakfast Program (Note 2)	65-30700	10.553		55,402
Total Child Nutrition Cluster	.=	40		151,359
Fresh Fruit and Vegetable Program	65-30700	10.582		11,359
Total U.S. Department of Agriculture			-	162,718
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$	4,547,511

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

## (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.





# Isna Wica Owayawa

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

Isna Wica Owayawa respectfully submits the following summary schedule of prior audit findings from the June 30, 2017 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2017 Schedule of Findings.

Finding 2017-001: 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

Reasons 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 2018, see Corrective Action Plan.

# Finding 2017-002: 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

Reasons 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 2018, see Corrective Action Plan.

### Finding 2017-003: Budget Monitoring/Loaning of Advanced Funds

Status: This finding is not repeated in the current year as it was resolved.

### Finding 2017-004: 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

Reasons 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 2018, see Corrective Action Plan.

### Finding 2017-005: 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

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 2018, see Corrective Action Plan.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

Finding 2017-006: 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

Reasons for Recurrence and Corrective Action Plan: The required data collection form will be filed prior to the deadline for 2018, but the grant annual report was not prepared. This finding will be repeated in 2018, see Corrective Action Plan.

Finding 2017-007: 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 2018, see Corrective Action Plan.



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## CORRECTIVE ACTION PLAN JUNE 30, 2018

Isna Wica Owayawa respectfully submits the following corrective action plan regarding findings from the June 30, 2018 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

### Findings - Financial Statement Audit

Material Weaknesses:

# 2018-001 FINDING: Financial Statement and Schedule of Expenditures of Federal Awards Preparation

Responsible Individuals: Melissa Blacksmith, Principal; Eileen Olson, Business Manager

Corrective Action Plan: The School, will at a minimum, have an independent CPA review the financial statements prepared by the auditors. The School will also explore the possibility and costs of hiring an external CPA to prepare the financials in order to completely eliminate the finding.

Anticipated Completion Date: June 30, 2019

# 2018-002 FINDING: Audit Adjustments

Responsible Individuals: Eileen Olson, Business Manager; Maria Cuny, Payroll and Accounts Payable

Corrective Action Plan: The Business Manager and Accounts Payable personnel will attend training on the year end close out process. The Business Manager will work closely with an independent CPA to identify what accounts need adjusting and the necessary journal entries to complete before the audit information is sent to the auditors.

Anticipated Completion Date: June 30, 2019

### 2018-003 FINDING: Monitoring of Controls

Responsible Individuals: Melissa Blacksmith, Principal; Eileen Olson, Business Manager; and Maria Cuny, Accounts Payable Clerk

## Corrective Action Plan:

- 1. Bank statements are being reconciled by the Business Manager and the reconciliation reports are then reviewed by the School Board. The second part of this practice was implemented in November 2018. Starting in March 2019 the bank statements will be opened and reviewed by the Principal before being given to the Business Manager to be reconciled. The review by the Board will remain in place.
- 2. Bank collateralization reports are being requested and reviewed at the end of every quarter.
- 3. Training on payroll reports, taxes, etc. will continue for the Payroll Clerk and the Data Entry Clerk to ensure more complete reviews of those forms.
- 4. The property inventory report was completed, with the funding for new items documented and new items being documented as they arrive. Plans to get the inventory entered into the School's accounting software are in the process but this may require additional staff and training.
- 5. Technology policies are being developed and will be presented to the Board for approval at a later date.
- 6. As of the beginning of the 18/19 year all vendors were to have a search run on sam.gov prior to any bids being accepted or payments being made no matter what the dollar amount was.

Anticipated Completion Date: June 30, 2019

## CORRECTIVE ACTION PLAN JUNE 30, 2018

### 2018-004 FINDING: Testing Errors

Responsible Individuals: Melissa Blacksmith, Principal; Eileen Olson, Business Manager; Maria Cuny, Payroll Clerk; Angie Richards, Data Entry Clerk; and Manuel Yellow Horse, Human Resources

Corrective Action Plan: Timekeeping processes are continuously being updated and improved.

An independent CPA should be hired to review the payroll for all hourly and salaried employees who are classified as non-exempt for the year to determine how much overtime needs to be paid for the year. This should be completed before the end of the current fiscal year. The School needs to provide extensive training to the Principal and all Business Office personnel in regards to the Fair Labor Standards Act and Wage and Hour compliance in order to give all appropriate staff a sound general knowledge and get them all on the same footing in order to eliminate discrepancies and deficiencies in this area. Also, a review of all existing job descriptions, contracts, and classifications by an attorney who specializes in Wage and Hour compliance is highly recommended to prevent future problems in this area.

Anticipated Completion Date: June 30, 2019

### 2018-005 FINDING: Reporting

Responsible Individuals: Melissa Blacksmith, Principal; Eileen Olson, Business Manager

Corrective Action Plan: A timeline has been prepared and distributed to the School Board, Administrator, and Business Office to ensure that all necessary reports are prepared, reviewed and filed with the appropriate agency in a timely manner. The Business Manager will also work closely with the independent CPA to ensure this happens.

Anticipated Completion Date: June 30, 2019

### 2018-006 FINDING: Character Investigations

Responsible Individuals: Melissa Blacksmith, Principal; Eileen Olson, Business Manager; Manuel Yellow Horse, Human Resources

Corrective Action Plan: Adjudication will be performed by trained school personnel (currently only Business Manager has this training) or by personnel from the Tribal Education Committee. Background checks are being requested from the appropriate organizations as a part of the application process by the Human Resource officer. Background checks and adjudications are also being reviewed by personnel from the Bureau of Indian Education office in Pine Ridge on an annual basis.

Anticipated Completion Date: June 30, 2019