

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

**Paul D. Joyce, CPA
State Examiner**

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF HOBART

LAKE COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers Tracy Brumley	07-01-22 to 06-30-24 07-01-24 to 06-30-25
Business Manager	Robert Glover, Jr.	07-01-22 to 06-30-25
Superintendent of Schools	Peggy Buffington	07-01-22 to 06-30-25
President of the School Board	Terry Butler Rikki Guthrie	07-01-22 to 12-31-24 01-01-25 to 06-30-25



Paul D. Joyce, CPA
State Examiner

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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 THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of Hobart (School Corporation), for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 13, 2025, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002.

School City of Hobart's Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 13, 2025



Paul D. Joyce, CPA
State Examiner

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

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the School City of Hobart's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2022 to June 30, 2024. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2022 to June 30, 2024.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2022 to June 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Special Education Cluster (IDEA), as described in item 2024-004 for Procurement. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-004 and 2024-005, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated March 13, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 13, 2025

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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



SCHOOL CITY OF HOBART
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 2023	\$ -	\$ 386,417	\$ -	\$ -
School Breakfast			FY 2024	-	-	-	315,820
Total - School Breakfast Program				-	386,417	-	315,820
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2023	-	1,634,521	-	-
School Lunch Program			FY 2024	-	-	-	1,110,647
Supply Chain Assistance			FY 2023	-	191,909	-	-
Supply Chain Assistance			FY 2024	-	-	-	12,698
After School Snacks			FY 2023	-	15,036	-	-
After School Snacks			FY 2024	-	-	-	9,659
Commodities			FY 2023	-	185,591	-	-
Commodities			FY 2024	-	-	-	171,247
Total - National School Lunch Program				-	2,027,057	-	1,304,251
Summer Food Service Program for Children							
Summer Feeding	Indiana Department of Education	10.559					
Summer Feeding			FY 2023	-	39,727	-	-
Summer Feeding			FY 2024	-	-	-	69,452
Total - Summer Food Service Program for Children				-	39,727	-	69,452
Total - Child Nutrition Cluster				-	2,453,201	-	1,689,523
Pandemic EBT Administrative Costs							
School Lunch Program	Indiana Department of Education	10.649					
			FY 2023	-	3,135	-	-
Total - Department of Agriculture				-	2,456,336	-	1,689,523
<u>Department of Commerce</u>							
Coastal Zone Management Administration Awards							
Lake Michigan Coastal Program	Indiana Department of Natural Resources	11.419					
			Ed-Grants- 040320-002	-	87,795	-	-
Total - Coastal Zone Management Administration Awards				-	87,795	-	-
Total - Department of Commerce				-	87,795	-	-

SCHOOL CITY OF HOBART
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Education							
Special Education Cluster (IDEA)							
COVID-19 - Special Education Grants to States FY 2022 IDEA ARP 611	Indiana Department of Education	84.027	22611-043-ARP	-	108,391	-	34,045
Special Education Grants to States FY 2022 Federal Part B 611 Grant FY 2023 Federal Part B 611 Grant FY 2024 Federal Part B 611 Grant	Indiana Department of Education	84.027	22611-043-PN01 23611-043-PN01 24611-043-PN01	- - -	139,032 610,152 -	- - -	67 284,381 878,181
Subtotal - Special Education Grants to States				-	749,184	-	1,162,629
Total - Special Education Grants to States				-	857,575	-	1,196,674
COVID-19 - Special Education Preschool Grants FY 2022 IDEA ARP 619 FY 2022 IDEA ARP 619	Indiana Department of Education	84.173	22619-006-ARP 22619-043-ARP	- -	10,225 -	- -	- 593
Subtotal - COVID-19 - Special Education Grants to States				-	10,225	-	593
Special Education Preschool Grants FY 2022 Federal Preschool 619 Grant FY 2023 Federal Preschool 619 Grant FY 2023 Federal Preschool 619 Grant FY 2024 Federal Preschool 619 Grant	Indiana Department of Education	84.173	22619-006-PN01 23619-006-PN01 23619-043-PN01 24619-043-PN01	- - - -	5,155 13,217 - -	- - - -	- - 4,046 18,428
Subtotal - Special Education Preschool Grants				-	18,372	-	22,474
Total - Special Education Cluster (IDEA)				-	886,172	-	1,219,741
Title I Grants to Local Educational Agencies Title I Part A Title I Part A FY 22 Title I Part A FY 23 Title I Part A FY 22	Indiana Department of Education	84.010	S010A210014 S010A220014 S010A230014 S010A220014	- - - -	179,198 568,682 - -	- - - -	- - 407,134 132,259
Total - Title I Grants to Local Educational Agencies				-	747,880	-	539,393
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Title II Part A Title II Part A FFY 2022 Title II Part A FY 2024	Indiana Department of Education	84.367	S367A210013 S367A220013 S367A230013	- - -	34,322 - -	- - -	- 124,118 85,914
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	34,322	-	210,032

SCHOOL CITY OF HOBART
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A190015	-	435	-	-
Title IV Part A Student Support			S424A230015	-	-	-	17,125
Title IV Part A			S424A210015	-	32,908	-	-
Title IV Part A			S424A220015	-	-	-	47,759
Total - Student Support and Academic Enrichment Program				-	33,343	-	64,884
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
Federal Stimulus-18003 Education Stabilization Relief		84.425D	S425D200013	-	22,239	-	-
ESSER II		84.425D	S425D210013	-	478,894	-	-
ESSER III		84.425U	S425U200013	-	1,866,419	-	-
ESSER III		84.425U	S425U200013	-	-	-	2,236,716
AI Powered Platform Pilot Grant		84.425U	S425U210013	-	-	-	226,021
Explore Engage Experience		84.425U	S425U210013	-	-	-	224,025
Total - COVID-19 - Education Stabilization Fund				-	2,367,552	-	2,686,762
Total - Department of Education				-	4,069,269	-	4,720,812
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid-IEP			FY2022/2023	-	68,773	-	-
Medicaid-IEP			FY2023/2024	-	-	-	114,352
Total - Medical Assistance Program				-	68,773	-	114,352
Total - Medicaid Cluster				-	68,773	-	114,352
Total - Department of Health and Human Services				-	68,773	-	114,352
Department of Homeland Security							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036					
FEMA DR-45-15			DR-4515	-	239,308	-	-
Total - Disaster Grants - Public Assistance (Presidentially Declared Disasters)				-	239,308	-	-
Total - Department of Homeland Security				-	239,308	-	-
Total federal awards expended				\$ -	\$ 6,921,481	\$ -	\$ 6,524,687

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

SCHOOL CITY OF HOBART
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the School Corporation under programs of the federal government for the years ended June 30, 2023 and 2024. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

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

Note 3. Northwest Indiana Special Education Cooperative

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). As a result, the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Special Education Cluster (IDEA) COVID-19 - Education Stabilization Fund	Qualified Unmodified

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

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

FINDING 2024-001

Subject: Financial Transactions
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not separated incompatible activities related to receipts and other financing sources. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

Receipts and Other Financing Sources

The School Corporation designed a process of review or oversight over receipts and other financing sources to ensure the accuracy, completeness, timeliness, and classification of the information. However, implementation of the review or oversight process was not documented and could not be verified.

Criteria

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

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

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

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

Cause

Management had not established a proper system of internal control over financial transactions.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement could have occurred and remained undetected.

Views of Responsible Officials

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

FINDING 2024-002

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

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-002.

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared the federal award information to entered into Gateway, and the Business Manager reviewed and approved the information, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

- The Special Education Cluster expenditures were understated by \$878,181 in fiscal year 2023-2024.
- Several grants had individually immaterial errors that resulted in a misstatement of expenditures of \$132,780, in total.
- Other errors included incorrect program names, assistance listings numbers, and identifying numbers.

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

Criteria

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

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

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

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

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

Management had not established a proper system of internal controls over financial reporting to ensure information entered into the Annual Financial Report was accurate and reviewed.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-003

Subject: Special Education Cluster (IDEA) - Earmarking

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, COVID-19 - Special Education Grants to States,
COVID-19 - Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 22611-043-PN01, 22611-043-ARP,
22619-043-ARP

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Significant Deficiency, Other Matters

Condition and Context

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). During fiscal year 2022-2023 the Cooperative operated the special education program and spent the federal money on behalf of all its members. As the grant agreement was between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

The nonpublic expenditures spent did not meet the earmarking requirements for grant award numbers 22611-043-PN01, 22611-043-ARP, and 22619-043-ARP. From the beginning of the grant awards until September 2022, total grant expenditures were posted as expended. The nonpublic proportionate share expenditures were determined by applying a percentage to the nonpublic school budgeted expenditures. Beginning in September 2022, the Cooperative began tracking expenditures by member school for the nonpublic services. As such we were unable to identify if the minimum amount per the grant award was expended and properly reported to the IDOE from the beginning of the grant awards through September 2022, as required.

The lack of internal controls and noncompliance was isolated to the 22611-043-PN01, 2611-043-ARP, and 22619-043-ARP grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

(g) Be adequately documented. . . ."

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

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

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

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Through inquiry of Cooperative management, they were unaware of the requirements to track nonpublic proportionate share expenditures directly for each member school. While the Cooperative did implement new processes and procedures to ensure expenditures were tracked by member school starting in September 2022, most of the grant awards had been allocated to the member schools based on a percentage of the budget.

Effect

Without the proper implementation of an effectively designed system of internal controls, the School Corporation was unable to ensure Cooperative compliance with earmarking requirements and the Cooperative was unable to track expenditures for nonpublic services for each member school. Consequently, the amounts requested for reimbursement were not supported by actual expenditures, but rather a percentage based on the budget per member school. Because of this, expenditures were not accurately reported to the oversight agency.

Questioned Costs

There were no questioned costs identified.

Recommendation

Management of the School Corporation should develop written policies and procedures which would require tracking of actual nonpublic proportionate share expenditures by member school by the Cooperative. Documentation should be maintained to show how these expenditures are being tracked to ensure compliance with the Earmarking compliance requirements.

Views of Responsible Officials

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

FINDING 2024-004

Subject: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, COVID-19 - Special Education Grants to States

Assistance Listings Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 22611-043-ARP, 23611-043-PN01, 24611-043-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). During fiscal year 2023-2024, the Cooperative operated the special education program and spent the federal money on behalf of all its members. As the grant agreement was between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

When the value of the procurement for property or services exceeds the simplified acquisition threshold (SAT), or a lower threshold established by a nonfederal entity, formal procurement methods are required. The SAT is typically set at \$250,000; however, Indiana Code 5-22-8 has a more restrictive threshold, and, therefore, the SAT threshold is set at \$150,000. Formal procurement methods require adherence to documented procedures and formal methods such as sealed bids or proposals.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with procurement requirements. The Cooperative did not have procedures in place to ensure compliance with procurements in excess of the SAT threshold. During 2023-2024, the Cooperative had three vendors which exceeded the SAT, and all three vendors were tested. The Cooperative did not obtain sealed bids or competitive proposals, nor was a circumstance met that would have allowed for a noncompetitive procurement for the purchases. The total dollar amount spent with all three vendors was \$1,417,349.

The lack of internal controls and noncompliance were systemic issues limited to 2023-2024.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(b) *Formal procurement methods.* When the value of the procurement for property or services under a Federal financial assistance awards exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate: . . .

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) *Sealed bids.* A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions. . . .
- (2) *Proposals.* A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. . . ."

Cause

The Cooperative noted they were unaware of the procurement requirements of expenditures exceeding the Simplified Acquisition Threshold. They stated they have used the same vendors to provide professional services for several years but only recently started using federal grant award funds for the services.

Effect

Without the proper implementation of an effectively designed system of internal controls, the School Corporation cannot ensure the vendors paid with federal award funds by the Cooperative are procured using the required methods. Without following the required methods for procurement, the Cooperative could be overpaying for services.

Questioned Costs

There were no questioned costs identified.

Recommendation

Management of the School Corporation should develop written policies and procedures which would require that appropriate procurement methods are used by the Cooperative for vendors that exceed the Simplified Acquisition Threshold. Appropriate documentation should be maintained to ensure the procurement methods are being followed and compliance with Procurement methods are being followed.

Views of Responsible Officials

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

FINDING 2024-005

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425U

Federal Award Number and Year (or Other Identifying Numbers): S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-003.

Condition and Context

The School Corporation had not properly designed a system of internal controls to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

A property record or capital asset listing is required to be maintained for all equipment, property improvements, and property purchased with the Education Stabilization Fund (ESF) grant awards to ensure adequate safeguards are in place to prevent loss or damage of items. The School Corporation hired a consultant to compile and provide a fixed asset report that contained all inventory and assets purchased that exceeded the School Corporation's capitalization threshold. The consultant prepared the report; however, the School Corporation did not have any policies or procedures in place to review the asset listing to ensure the listing was complete.

The School Corporation's capital asset listing did not include all the required asset information for assets purchased with federal awards. The following information for each asset was not included in the School Corporation's capital asset listing: the source of funding for the property (including the federal award identification number (FAIN)), and percentage of federal participation in the project costs for the federal award under which the property was acquired.

The School Corporation purchased five capital assets totaling \$118,845.73 with ESSER III funds. Of the five assets purchased, four were not included on the asset listing. The one asset that was included in the asset listing did not list the source of the federal funding including the federal award number.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

". . . (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

2 CFR 200.313(e) states in part:

"When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. . . ."

Cause

The School Corporation did not develop a system of internal controls to ensure that all items over the capital asset threshold were added to the listing, the capital asset listing included all required information, and that items purchased were properly maintained and safeguarded.

Effect

Noncompliance with the grant agreement and the compliance requirement could result in the repayment of federal funds.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure asset records include all the necessary information, new assets are properly added, disposals are properly documented, and any discrepancies are reconciled.

Views of Responsible Officials

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



AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



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Superintendent

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Business Manager

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2022-2024

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and other financing sources and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

Status of Audit Finding: *Partially Corrected*

Response Comments: *The Treasurer electronically uploads the Annual Financial Report once uploaded the Business Manager signs the Annual Financial Report to indicate it has been reviewed. The School Corporation is still in the process of implementing a control process for receipts and other financing sources.*

Robert Glover Jr.
Business Manager
2/11/2025

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2022-2024

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding:

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have documentation of a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

Status of Audit Finding: *Not Corrected*

Response Comments: *The School Corporation is still in the process of implementing an effective control process for the preparation of the Schedule of Expenditures of Federal Awards.*

Robert Glover Jr.
Business Manager
2/11/2025

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-003

Fiscal year in which the finding initially occurred: 2021-2022

Current Audit Period: 2022-2024

Finding Subject: COVID-19 – Education Stabilization Fund – Equipment and Real Property Management

Summary of Finding:

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

During fiscal year 2021-2022, the School Corporation purchased \$62,769 of equipment with ESSER III funds which exceeded the School Corporation's capitalization threshold. The equipment was not added to the property record or capital asset listing which would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Status of Audit Finding: *Not Corrected*

Response Comments: *The School Corporation is still in the process of implementing an effective control to ensure compliance with Equipment and Real Property Management requirements for the Education Stabilization Fund grants.*

Robert Glover Jr.
Business Manager
2/11/2025

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CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Financial Transactions

Contact Person Responsible for Corrective Action: Robert Glover Jr.

Contact Phone Number: (219) 945-0250

Contact Email Address: rglover@hobart.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Treasurer will prepare a monthly report of receipts including the fund, account, bank, amount, and descriptive notes and comments. The Business Manager will review the report for accuracy and completeness, and initial upon completion of the review.

Anticipated Completion Date: 04/30/2025

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Board Attorney

CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Robert Glover Jr.

Contact Phone Number: (219) 945-0250

Contact Email Address: rglover@hobart.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Treasurer will prepare the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) in Gateway. Prior to submission, the Business Manager will review the information entered by the Treasurer. The review process will include a review of all supporting documentation that the Treasurer used to prepare the SEFA. Both will sign the SEFA, and supporting documentation, to document approval.

Anticipated Completion Date: 07/30/2025

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SCHOOL CITY OF HOBART

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<http://www.hobart.k12.in.us>

"Building College and Career Ready Brickies"

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CORRECTIVE ACTION PLAN

FINDING 2024-003

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Contact Person Responsible for Corrective Action: Robert Glover Jr.

Contact Phone Number: (219) 945-0250

Contact Email Address: rglover@hobart.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: As a member of the Northwest Indiana Special Education Cooperative (NISEC), School City of Hobart reported their proportionate share based on a percentage of expenditures and have had successful audits in doing so. When Hobart was notified that this process was no longer acceptable, we immediately implemented an internal control process with NISEC which included detailed reporting of staff work hours for nonpublic schools related to only our school corporation. The report is then reviewed and signed by the NISEC staff working for the nonpublic school and their supervisor. The employee detailed time and effort report is then provided to the NISEC finance department for a second review and signature before being provided to payroll. NISEC payroll then charges the proportionate share to the IDEA Part B grant in the payroll system bi-weekly based on the time and effort report pertinent to just School City of Hobart Non-public schools. The time and effort reports are then used to submit the reimbursement request to the Department of Education for Hobart's proportionate share.

Anticipated Completion Date: 4/30/2025

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CORRECTIVE ACTION PLAN

FINDING 2024-004

Finding Subject: Special Education Cluster (IDEA) - Procurement

Contact Person Responsible for Corrective Action: Robert Glover Jr.

Contact Phone Number: (219) 945-0250

Contact Email Address: rglover@hobart.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: As a member of the Northwest Indiana Special Education Cooperative (NISEC), School City of Hobart usually expends contracted services out of our general education fund. For the fiscal year 2023-2024, we included our contracted speech services into our federal grant funds. During the audit, Hobart was notified that we didn't follow the procurement procedures when expending out of the federal grant. This finding was due to Hobart not going out and receiving multiple bids for contracted companies that provide services to our students. Hobart uses three contracted companies to provide Speech Pathologist and Speech Language Assistants. We have used these three companies for many years and have built great working relationships with these providers. After receiving the finding, and discussing with the auditor, we created a memo that we took to our board. In the memo we explained why we use the three contracted vendors instead of going out for bids. Finding Speech Pathologists and Speech Language Assistants is very difficult in the school setting, and they have created great working relationships with these three contracted companies. Within the memo, we listed all the contracted vendors that they use and why they work directly with them instead of going out for bids. If any contracted services are not bid, at the beginning of each school year, they will create a new memo with any contracted companies that they will be using during that school year and the memo will be approved by the School Board.

Anticipated Completion Date: 4/30/2025

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CORRECTIVE ACTION PLAN

FINDING 2024-005

Finding Subject: COVID-19 – Education Stabilization Fund – Equipment and Real Property Management

Contact Person Responsible for Corrective Action: Robert Glover Jr.

Contact Phone Number: (219) 945-0250

Contact Email Address: rglover@hobart.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The corrective action plan for finding 2022-003 was effective in ensuring that equipment over the capitalization threshold was barcoded and documented in School City of Hobart's internal asset tracking system which we began utilizing in 2024. The external consulting company we used to perform our asset inventory omitted the items in question from their report.

The items in question will be added to the external consultant's existing spreadsheet. School City of Hobart will examine other options for external asset inventory services in the future. Any future purchases will be catalogued and provided as a list to the party who conducts our next asset inventory. School City of Hobart will require written documentation from any future consultant that all new items were added into the inventory in the future.

Anticipated Completion Date: 04/30/2025

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OTHER REPORTS

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