

**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

MANCHESTER COMMUNITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/27/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tonia L. Immel (Vacant) Darla R. Cain	07-01-22 to 10-06-22 10-07-22 to 10-24-22 10-25-22 to 06-30-25
Superintendent of Schools	Kyle F. Wieland Jeff Stephens Anthony Cassel	07-01-22 to 06-30-23 07-01-23 to 11-30-23 12-01-23 to 06-30-25
President of the School Board	David W. Terflinger Michael R. Hensley	07-01-22 to 12-31-22 01-01-23 to 06-30-25



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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 MANCHESTER COMMUNITY SCHOOLS, WABASH 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 Manchester Community Schools (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 items 2024-001 and 2024-002.

Manchester Community Schools' 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 MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the Manchester Community Schools' (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 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.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified 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 COVID-19 - Education Stabilization Fund for the period of July 1, 2022 to June 30, 2024.

Basis for Qualified 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)

Matters 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 items 2024-003 and 2024-004 for Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.425U COVID-19 - Education Stabilization fund, as described in item 2024-005 for Matching, Level of Effort, and Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those 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.

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)

- 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.

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 item 2024-006. 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003, 2024-004, 2024-005, and 2024-006, to be material weaknesses.

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.

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)

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.

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.



MANCHESTER COMMUNITY SCHOOLS
 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	\$ -	\$ 124,954	\$ -	\$ -
School Breakfast			FY 2024	-	-	-	116,824
Total - School Breakfast Program				-	124,954	-	116,824
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 2023	-	683,408	-	-
Commodities			FY 2024	-	-	-	514,688
			FY 2023 / FY 2024	-	76,417	-	95,102
Total - National School Lunch Program				-	759,825	-	609,790
Summer Food Service Program for Children							
Summer Lunch	Indiana Department of Education	10.559					
Summer Lunch			FY 2023	-	16,715	-	-
			FY 2024	-	-	-	22,065
Total - Summer Food Service Program for Children				-	16,715	-	22,065
Total - Child Nutrition Cluster				-	901,494	-	748,679
Pandemic EBT Administrative Costs							
PBET	Indiana Department of Education	10.649					
			FY 2023	-	628	-	-
Total - Department of Agriculture				-	902,122	-	748,679
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
SPED Grants to States			21611-054-PN01	-	12,713	-	-
WMAP big grant FY2022			22611-054-PN01	-	256,981	-	20,767
Sped Para Grant			H027A220084	-	-	-	4,727
WMAP big grant FY2023			23611-054-PN01	-	97,142	-	289,115
FY2024 Federal part B 611			23611-054-PN01	-	-	-	86,761
Subtotal - Special Education Grants to States				-	366,836	-	401,370
COVID-19 - Special Education Grants to States							
SPED Grants to States	Indiana Department of Education	84.027					
			22611-054-ARP	-	24,577	-	27,503
Total - Special Education Grants to States				-	391,413	-	428,873

MANCHESTER COMMUNITY SCHOOLS
 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
SPED Preschool Grants to States			22619-054-PN01	-	9,036	-	8,684
FY2022 Federal Preschool 619			22619-054-PN01	-	-	-	108
Subtotal - Special Education Preschool Grants				-	9,036	-	8,792
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173					
WMAP preschool FY 2022			22619-054-ARP	-	4,974	-	-
WMAP preschool FY 2023			23619-054-ARP	-	3,741	-	3,941
FY2022 Federal Preschool 619			22619-054-ARP	-	-	-	1,405
Subtotal - COVID-19 - Special Education Preschool Grants				-	8,715	-	5,346
Total - Special Education Preschool Grants				-	17,751	-	14,138
Total - Special Education Cluster (IDEA)				-	409,164	-	443,011
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			18611-001-PN01	-	89,891	-	118,333
Title I Part A			S010A210014	-	141,094	-	-
Title I Part A			S010A210014	-	-	-	110,533
Total - Title I Grants to Local Educational Agencies				-	230,985	-	228,866
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Career Grant			V048A200014	-	99,855	-	-
Total - Career and Technical Education - Basic Grants to States				-	99,855	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			S367A20013-20A	-	6,099	-	-
Title II			S367A200013	-	38,742	-	6,103
Title II			S367A220013	-	1,834	-	37,434
Title II			S424A210015	-	-	-	153
Total - Supporting Effective Instruction State Grants				-	46,675	-	43,690

MANCHESTER COMMUNITY SCHOOLS
 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			S424A200015	-	2,690	-	621
Title IV			S424A210015	-	10,607	-	-
Title IV			S424A220015	-	12,586	-	13,515
Total - Student Support and Academic Enrichment Program				-	25,883	-	14,136
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
Explore Engage Experience (3E)		84.425U	7000S425U210013	-	10,565	-	25,173
Cares 2.0		84.425D	S425D200013	-	361,535	-	-
ESII-Employ Skills Innovation and Implantation		84.425D	S425D210013	-	-	-	28,276
Cares 3		84.425U	S425U210013	-	548,658	-	839,162
Total - COVID-19 - Education Stabilization Fund				-	920,758	-	892,611
Total - Department of Education				-	1,733,320	-	1,622,314
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid			FY 2023	-	4,495	-	-
Medicaid			FY 2024	-	-	-	81
Total - Medical Assistance Program				-	4,495	-	81
Total - Medicaid Cluster				-	4,495	-	81
Maternal and Child Health Services Block Grant to the States Healthy Workplace	Indiana Department of Education	93.994	B04MC30611	-	4,382	-	-
Total - Department of Health and Human Services				-	8,877	-	81
Total federal awards expended				\$ -	\$ 2,644,319	\$ -	\$ 2,371,074

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

MANCHESTER COMMUNITY SCHOOLS
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. Wabash-Miami Area Program for Exceptional Children Special Education Cooperative

The School Corporation is a member of the Wabash-Miami Area Program for Exceptional Children (Cooperative), a Special Education Cooperative which operates the special education program for the School Corporation. 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.

MANCHESTER COMMUNITY SCHOOLS
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?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

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

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2024-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a 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 and reporting. The School Corporation had not established an effective internal control system that separated incompatible activities related to financial close and reporting, receipts, and other financing sources and uses.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial information is required to be entered annually into the Indiana Gateway for Government Units financial reporting system, which is the source of the School Corporation's Annual Financial Report (AFR). Although one employee prepared the AFR and another employee reviewed the contents prior to submission, the internal control was not effective and did not detect and allow for correction of errors prior to submission. Additionally, evidence of the established internal control was not presented for audit.

Financial Data

- The Prepaid School Lunch Accounts fund was omitted from the AFR. This resulted in understatements in beginning cash and investments by \$25,661 and \$30,973, receipts by \$327,681 and \$336,278, disbursements by \$1,462 and \$822, other financing sources and uses by \$320,907 and \$339,714, and ending cash and investments balances by \$30,973 and \$26,715 for the years ended June 30, 2023, and June 30, 2024, respectively.
- The Preschool Playground fund was omitted from the AFR. This resulted in understatements in receipts and the ending cash and investments balance by \$7,500 for the year ended June 30, 2024.
- The Edge 85 CNC Grant Fund was omitted from the AFR. This resulted in understatements in receipts by \$14,501, disbursements by \$5,501, and ending cash and investments balance by \$9,000 for the year ended June 30, 2024.
- The 2022 Bond Fund overstated receipts and understated other financing sources and uses in the amount of \$2,638,746 for the year ended June 30, 2023.
- On numerous occasions, transfers in and transfers out were misclassified and reported in receipts and disbursements instead of other financing sources and uses. This affected numerous funds. This resulted in errors totaling \$1,461,697 in receipts, \$800,734 in disbursements, and \$661,252 in other financing sources and uses for the years ended June 30, 2023, and June 30, 2024, in total.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Receipts

School Corporation receipts were recorded in the financial software by one employee without an oversight or review process in place to ensure accuracy. Additionally, the Electronic Funds Transfers were deposited into the School Corporation's bank account and recorded to the financial software by one employee without an oversight or review process in place to ensure accuracy.

Other Financing Sources and Uses

One School Corporation employee recorded proceeds of long-term debt in the financial ledger without an oversight or review process to ensure accuracy. Additionally, a system of internal controls over transfers between funds was not designed or implemented to detect or allow for correction of errors.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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](#)."

Cause

Management of the School Corporation had not established a proper system of internal controls that would have ensured accurate reporting in the AFR. Embedded within a properly designed and implemented internal control system should be documented internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to affect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without a proper system of internal controls that operated effectively, material misstatements of the AFR occurred and went undetected by management of the School Corporation, which resulted in material misstatements in the financial statement.

Recommendation

We recommended that the School Corporation's management establish a documented system of internal controls over financial transactions and reporting that would identify and correct errors in the AFR prior to submission and provide evidence that the controls were in place.

Views of Responsible Officials

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

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2024-002

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

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 into the Annual Financial Report (AFR) via 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).

Although one employee prepared and entered the federal award information into the AFR and another employee reviewed and approved the information prior to submission, the review process was not effective and did not detect and allow for correction of errors prior to submission. Additionally, evidence of the established internal control was not presented for audit.

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

- The Career and Technical Education - Basic Grants to States was omitted from the AFR for the year ended June 30, 2023. As a result, federal expenditures were understated by \$99,855.
- The National School Lunch Program expenditures were understated by \$173,282 for the year ended June 30, 2023.
- The Special Education Cluster (IDEA) expenditures were understated by \$234,796 for the year ended June 30, 2023.
- Other immaterial errors totaled \$432,133 for the years ended June 30, 2023, and June 30, 2024, in total.

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:

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

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:

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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.
- (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."

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](#)."

Cause

Management of the School Corporation had not established a proper system of internal controls that would have ensured accurate reporting of the SEFA. Embedded within a properly designed and implemented internal control system should be documented internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without a proper system of internal controls that operated effectively, material misstatements of the SEFA occurred and went undetected by management of the School Corporation.

Recommendation

We recommended that the School Corporation's management establish a documented system of internal controls over financial transactions and reporting that would identify and correct errors in the AFR prior to submission and provide evidence that the internal controls were in place.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

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,
Special Education Preschool Grants, COVID-19 - Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 21611-054-PN01, 22611-054-PN01,
22619-054-PN01, 22611-054-ARP,
22619-054-ARP

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Wabash-Miami Area Programs for Exceptional Children (Cooperative). During fiscal years 2022-2023 and 2023-2024, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative.

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 21611-054-PN01, 22611-054-PN01, 22619-054-PN01, 22611-054-ARP, and 22619-054-ARP. Total grant expenditures were posted as expended. The nonpublic proportionate share expenditures for each member school were determined by applying a percentage based on the total grant award to the nonpublic school total expenditures.

The lack of internal controls and noncompliance were isolated to the 21611-054-PN01, 22611-054-PN01, 22619-054-PN01, 22611-054-ARP, and 22619-054-ARP grant awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.403 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."

Cause

Through inquiry of management, they were unaware of the requirements to track nonpublic proportionate share expenditures directly for each member school. The Cooperative did implement new processes and procedures to ensure expenditures were tracked by each member school starting with the 2024 grants, and these grants were still ongoing during the audit period.

Effect

Without the proper implementation of an effectively designed system of internal controls, 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 Cooperative should develop written policies and procedures which would require tracking of actual nonpublic proportionate share expenditures by member school. Documentation should be maintained to show how these expenditures are being tracked to ensure compliance with the Earmarking requirements.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2024-004

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 21611-054-PN01, 22611-054-PN01,
22619-054-PN01, 22611-054-ARP,
22619-054-ARP, 23611-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation was required to submit a Local Educational Agency (LEA) Maintenance of Effort (MOE) Calculator workbook to the Indiana Department of Education (IDOE) each year beginning with the fiscal year 2021-2022 grant. The MOE was based on the expenditure information submitted on the Form 9 for the prior fiscal year. The Form 9 (financial) data was submitted by the School Corporation to the IDOE semiannually. The data reported included the School Corporation's expenditures recorded during that period. To verify amounts used in their computation were derived from the books and records of the School Corporation, costs were reviewed to ensure they were properly classified as to fund, account, and object code and reported correctly on the Form 9.

In 2020-2021 and 2021-2022, 25 transactions were sampled each year to ensure the disbursements were posted to the proper fund, account, and object code. For 5 of the 25 transactions selected in 2020-2021, as well as 4 of the 25 transactions selected in 2021-2022, appropriate supporting documentation was not provided for audit. As a result, the 9 disbursements could not be verified as to whether they were posted to the proper fund, account, and object code.

The School Corporation was unable to provide documentation to support the calculation for Level of Effort included within the grant applications. In addition, the expenditure categories were not consistent with the prior grant application, and several of the expenditure categories reported did not agree to the financial records.

The School Corporation did not have an oversight process in place to ensure that expenditures were classified properly to the correct fund, account, and object codes.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

34 CFR 300.203 states in part:

"(a) *Eligibility Standard.*

- (1) For purposes of establishing the LEA's eligibility for an award for a fiscal year, the SEA must determine that the LEA budgets, for the education of children with disabilities, at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . .

(b) *Compliance Standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . ."

Cause

The school has updated its financial system and can't produce reports from the time period tested to verify the expenditures were properly classified.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The School Corporation could have classified expenditures improperly and the MOE calculation could be incorrect.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place to ensure compliance.

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 - Earmarking
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 Number): S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Local educational agencies that receive funds under the American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ESSER III) are to reserve not less than 20 percent of the funds to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on the student subgroups. This requirement was set out in the enabling legislation for the funds and further implemented in the Education Stabilization Relief Fund Application III, which the School Corporation was required to complete for its award.

As the School Corporation fully expended its ESSER III award during the audit period, earmarking was tested. The School Corporation, per its application, was required to set aside a total of \$347,573 of ESSER III grant funds to be used to provide additional opportunities to students including summer school, career coach, and a social emotional academic learning liaison. Of the grant proceeds received by the School Corporation, the School Corporation budgeted the full amount for learning loss; however, the School Corporation could not provide a list of expenditures to account for the budgeted amount being spent for learning loss. There is no way to determine if expenditures were properly used for learning loss, as there are no expenditures to test.

The lack of internal controls and noncompliance was isolated to the ESSER III grant noted above.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

Section 2001(e)(1) of the ARP Act states in part:

"A local educational agency that receives funds under this section—

1. shall reserve not less than 20 percent of such funds to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on the student subgroups . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the required set-aside was not spent by the School Corporation.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

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 required earmarking requirements are met.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2024-006

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425U, 84.425D

Federal Award Numbers and Years (or Other Identifying Numbers): 7000S425U210013, S425D200013,
S425D210013, S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting.

The School Corporation was required to submit an annual data report to the Indiana Department of Education via JotForm. Data to be submitted includes, but not limited to, current period expenditures, prior period expenditures, and expenditures per activity. Additionally, the School Corporation was required to submit an annual data report to the Indiana Department of Education via the 3E LEA ESSER III American Rescue Plan Annual Performance Report (Annual Performance Reports). Data to be submitted includes, but is not limited to, current period expenditures and expenditures per activity.

During the audit period, the School Corporation submitted the 2021-2022 data report for ESSER I - Year 3, ESSER II - Year 2, ESSER III - Year 2, and 2022-2023 data report for ESSER II - Year 3 and ESSER III - Year 3. The reports were prepared by one employee and reviewed by another employee; however, the established internal control did not allow for the prevention, or detection and correction, of errors prior to submission.

The ESSER III - Year 3 report which should have covered the period of July 1, 2022 to June 30, 2023, covered the prior year (July 1, 2021 to June 30, 2022) data information. Also, the expenditures reported in the ESSER I - Year 3 and ESSER III - Year 2 submissions did not agree to underlying supporting documentation.

Additionally, an internal control was not designed or implemented over submission of the Annual Performance Reports. The Annual Performance Reports were prepared by one employee without a documented oversight and review process to allow for the prevention, or detection and correction, of errors prior to submission.

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management did not develop a system of internal controls that ensured that reports submitted were for the correct activity period and supported by underlying accounting records.

Effect

Reports submitted to the Federal Grantor Agency did not accurately reflect the expenditure activity of the School Corporation for the reporting periods as noted in the *Condition and Context* above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity. The internal controls should also have documentation to evidence that the control was in place.

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.



404 WEST NINTH STREET NORTH MANCHESTER, INDIANA 46962 (260) 982-7518

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2021-22
Current Audit Period: 2022-2024

Finding Subject: Financial Close and Reporting

Summary of Finding: The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Financial Statements. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Status of Audit Finding: *Not Corrected*

Response Comments: The finding repeated due to ineffective internal controls. Beginning in July of 2023, the treasurer will print the AFR and share it with the comptroller. The comptroller will review the AFR for completeness and accuracy. The comptroller will sign off on the accurate documents and the treasurer will file the paperwork for future reference.

In July of 2023 the Treasurer and the comptroller completed the AFR for the first time using the following procedures:

1. The Treasurer prints monthly closing reports and the corporation Assistant Superintendent initials before uploading to Gateway.
2. A spreadsheet of all grants was created with critical SEFA information listed (CFDA #'s, award amounts, etc.) that is maintained by the Comptroller along with the Curriculum Director.
3. The Treasurer and Comptroller have attended several IASBO trainings to learn how to track financial more efficiently.
4. The Treasurer and Comptroller work in tandem to complete several tasks ensuring two sets of eyes on work.
5. A monthly cash-flow report is created by the Treasurer.
6. The Comptroller then creates a monthly one-page report for the board from the 5 year cash flow statement.
7. Help tickets are regularly submitted to Boyce, our software provider, on how to do things correctly in our system to get correct reporting for the AFR.
8. The comptroller will review each line of the budget before the next AFR cycle to ensure completeness and accuracy of records before the treasurer completes the AFR.



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FINDING 2022-002

Fiscal year in which the finding initially occurred: 2021-22

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 effective internal controls over the federal award information entered into 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). Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Status of Audit Finding: *Not Corrected*

Response Comments: The finding repeated due to ineffective internal controls. Treasurer will enter grants into Gateway and comptroller will check for accuracy. The treasurer will correct all grants currently in the system with the comptroller checking for accuracy. The treasurer will print expenditure reports and complete reimbursement requests. The comptroller will check for accuracy. MCS manages a lot of grants. As such, the comptroller works closely with the curriculum director (primary grant writer) to track grants on a spreadsheet that is shared with the grant writer (Curriculum Director), Treasurer, Assistant Superintendent of Finance and Superintendent. The Comptroller reviews grant information in Boyce and the Treasurer has reviews the Fund Chart of Accounts daily. Digital and paper copies of all grant information is kept by the Treasurer and Curriculum Director. The Treasurer prints monthly expenditure reports and prepares reimbursement forms that are reviewed and approved by the comptroller.



404 WEST NINTH STREET NORTH MANCHESTER, INDIANA 46962 (260) 982-7518

FINDING 2022-003

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

Current Audit Period: FY 2022-2024

Finding Subject: COVID-19 Education Stabilization Fund:

Summary of Finding: The School Corporation had not designed, nor implemented a system of internal control to ensure that the four Elementary and Secondary School Emergency Relief (ESSER) annual data reports (Reports) were complete and accurately submitted. The Reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

Status of Audit Finding: *Not Corrected*

Response Comments: The established internal controls over the Jot Reports submitted were not effective. Errors were identified in the reports submitted. No internal controls were documented over the 3E reports that were submitted.

The new corrective action plan will be successful in correcting problems as multiple sets of eyes will review the data and sign off on it before it is submitted.

The plan:

The comptroller will complete the financial report based on IDOE's instructions.

The curriculum director will review it for accuracy and initial.

The assistant superintendent will review it for accuracy and initial.

The comptroller will submit the jot form.



404 WEST NINTH STREET NORTH MANCHESTER, INDIANA 46962 (260) 982-7518

CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

Financial Close and Reporting

The comptroller and assistant superintendent/superintendent will review the financial software four times each year ensuring information is correct in the accounting system.
As reports are run by the treasurer for AFR, the comptroller and assistant superintendent of finance will review each report for accuracy, signing off on each report before it is uploaded.
The AFR will be reviewed and signed off by the comptroller and assistant superintendent.

Receipts

A district AR email will be set up for digital receipt announcements that can be accessed by no less than two office staff.
The corporation treasurer will record receipts and give the receipts/deposit ticket (along with supporting documentation to the controller or assistant superintendent/superintendent for a signature.

Other Financing Sources and Uses

The comptroller will load long-term debt into the accounting system and the assistant superintendent will sign off on a system report.
The treasurer will submit all transfers to the comptroller or assistant superintendent for review and signature.

Anticipated Completion Date:

March 31, 2025

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS. ”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Preparation of Expenditure of Federal Awards

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

The comptroller, with assistance from the curriculum director, will maintain a spreadsheet of federal grants and expenditures capturing all grants, food program and SPED information. This spreadsheet will be reviewed monthly for accuracy by the treasurer and comptroller with signatures from both.

Anticipated Completion Date:

March 31, 2025

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2024-003

Finding Subject: Special Education Cluster - Earmarking

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

1. A proportionate Share Working Spreadsheet was developed and is distributed annually to service providers working with non-pub students.
2. Service providers document the following information for each corporation: Student name, Date of service, Time of Service, Number of hours, Type of Service, and any other required information.
3. Documentation is reviewed monthly.
4. Reimbursement for non-pub services is requested when reimbursement amounts reach \$1,000.00 or annually, whichever comes first.

Anticipated Completion Date:

March 1, 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2024-004

Finding Subject: Special Education Cluster – Level of Effort

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

The human resource specialist has been trained regarding the importance of assigning the correct account codes to new employees.

The comptroller and then the assistant superintendent or superintendent will review new employee payroll account assignments and sign off on their employment paperwork to ensure employees are coded correctly in our system.

Anticipated Completion Date:

March 31, 2025

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2024-005

Finding Subject: COVID-19 Education Stabilization Fund - Earmarking

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

The curriculum director and comptroller will make sure funds are entered correctly into the accounting software to ensure accurate tracking of expenditures.

The comptroller will complete the financial report based on IDOE's instructions.

The curriculum director will review it for accuracy and initial.

The assistant superintendent will review it for accuracy and initial.

The comptroller will submit the jot form.

Anticipated Completion Date:

March 31, 2025

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2024-006

Finding Subject: COVID-19 Education Stabilization Fund - Reporting

Contact Person Responsible for Corrective Action: Shelly Leifer

Contact Phone Number and Email Address: 260.306.3359 shelly_leifer@mcs.k12.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

The comptroller will reach out to the IDOE regarding the dates required for submission.

The comptroller, with the curriculum director, will populate the spreadsheet.

The comptroller will get a signature from the assistant superintendent or superintendent before submittal.

Anticipated Completion Date:

March 31, 2025

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”

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/>.