

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

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

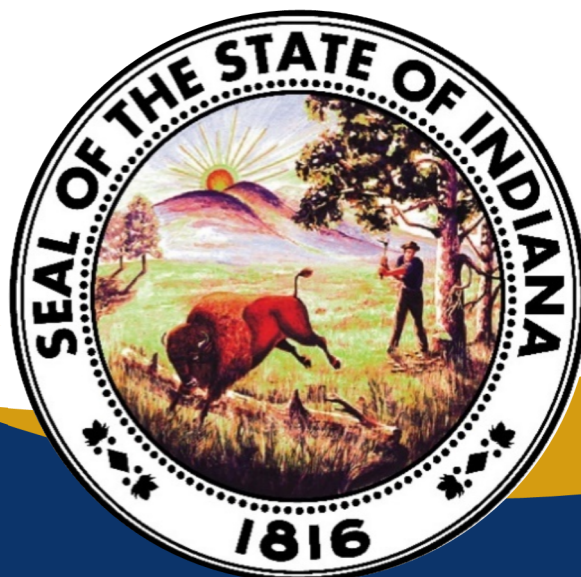
FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

02/25/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Alex Newman Tracey Bolin Rachel Dutoi	07-01-22 to 12-27-22 12-28-22 to 08-31-23 09-01-23 to 06-30-25
Superintendent of Schools	Dr. Theodore Stevens	07-01-22 to 06-30-25
President of the School Board	Holly Parks	07-01-22 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

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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 MISHAWAKA, ST. JOSEPH 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 Mishawaka (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 February 18, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

February 18, 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 MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the School City of Mishawaka'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 COVID-19 - Education Stabilization Fund

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 COVID-19 - Education Stabilization Fund for the period of July 1, 2022 to June 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

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 each of its other major federal programs 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)

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2024-004 for Equipment, Real Property Management, 2024-005 for Special Tests and Provisions - Wage Rate Requirements, and 2024-006 for Allowable Costs/Cost Principles. 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 2024-001 and 2024-003. 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 2024-003, 2024-004, 2024-005, and 2024-006, 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 items 2024-001 and 2024-002, to be significant deficiencies.

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 February 18, 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

February 18, 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 MISHAWAKA
 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 Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
0800 School Breakfast Program			SY 2022-2023	\$ -	\$ 540,208	\$ -	\$ -
0800 School Breakfast Program			SY 2023-2024	-	-	-	511,398
Total - School Breakfast Program				-	540,208	-	511,398
National School Lunch Program							
0800 Supply Chain Assistance	Indiana Department of Education	10.555	SY 2022-2023	-	243,078	-	-
0800 School Snack			SY 2022-2023	-	65,874	-	-
0800 School Lunch			SY 2022-2023	-	2,274,168	-	-
0800 School Lunch			SY 2023-2024	-	-	-	1,967,114
0800 Supply Chain Assistance			SY 2023-2024	-	-	-	154,100
0800 School Snack			SY 2023-2024	-	-	-	75,791
Commodities			SY 2022-2023	-	210,442	-	-
Commodities			SY 2023-2024	-	-	-	255,349
Total - National School Lunch Program				-	2,793,562	-	2,452,354
Summer Food Service Program for Children							
0800 School Lunch	Indiana Department of Education	10.559	SY 2022-2023	-	76,643	-	-
0800 School Lunch			SY 2023-2024	-	-	-	86,510
Total - Summer Food Service Program for Children				-	76,643	-	86,510
Total - Child Nutrition Cluster				-	3,410,413	-	3,050,262
Pandemic EBT Administrative Costs							
0800 School Lunch	Indiana Department of Education	10.649	SY 2022-2023	-	3,135	-	-
Total - Department of Agriculture				-	3,413,548	-	3,050,262
Federal Communications Commission							
Emergency Connectivity Fund Program	Direct Grant	32.009					
Emergency Connectivity Fund			ECF202203369	-	366,765	-	-
Total - Federal Communications Commission				-	366,765	-	-
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
5211 Paraprofessional Training Grant 23-24			Contract #79724	-	-	-	2,314
5204 Special-Ed K-12 (611) FY 2022			H027A190084 / 22611-037-PN01	-	1,162,539	-	44,431
5203 Special-Ed K-12 (611) FY 2021			H027A200084 / 21611-037-PN01	-	33,624	-	-
5205 Special Ed K-12 (611) FY 2023			H027A220084 / 23611-037-PN01	-	397,731	-	1,036,177
5206 Special-Ed K-12 (611) FY 2024			H027A230084 / 24611-037-PN01	-	-	-	1,145,760
Subtotal - Special Education Grants to States				-	1,593,894	-	2,228,682
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027					
7911 American Rescue Plan (ARP) 611 FY 2022			H027X210084 / 22611-037-ARP	-	169,122	-	114,383
Total - Special Education Grants to States				-	1,763,016	-	2,343,065

SCHOOL CITY OF MISHAWAKA
 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					
5494 Special-Ed K-12 (619) FY 2022			H173A210104 / 22619-037-PN01	-	17,191	-	-
5495 Special-Ed Preschool (619) FY2023			H173A220104 / 23619-037-PN01	-	7,322	-	49,479
5496 Special-Ed K-12 (619) FY 2024			H173A230104 / 24619-037-PN01	-	-	-	9,387
Subtotal - Special Education Preschool Grants				-	24,513	-	58,866
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173					
7912 American Rescue Plan (ARP) 619 FY22			H173X210104 / 22619-037-ARP	-	13,473	-	10,490
Total - Special Education Preschool Grants				-	37,986	-	69,356
Total - Special Education Cluster (IDEA)				-	1,801,002	-	2,412,421
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
4185 Title-I 2021-2022			S010A210014	-	297,675	-	-
4186 Title-I 2022-2023			S010A220014	-	934,789	-	373,851
4187 Title-I 2023-2024 FY 2024			S010A230014	-	-	-	1,249,296
Total - Title I Grants to Local Educational Agencies				-	1,232,464	-	1,623,147
English Language Acquisition State Grants	Indiana Department of Education	84.365					
6882 Title III FFY 2020 - 2020-2022			S365200014 / 01121-088	-	1,565	-	-
6885 Title III 2023-2025 FFY 2023			S365230014	-	-	-	2,278
6883 Title III SY 2021-2023 FFY21			S365A210014	-	6,388	-	4,516
6884 Title III 2022-2024 FFY22			S365A220014	-	2,181	-	8,958
Total - English Language Acquisition State Grants				-	10,134	-	15,752
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
6845 Title-II Part A FFY 2020 2020-2022			7000-S367A200013	-	95,055	-	-
6847 Title II-Part A FFY 2022 (FY2023)			7000-S367A220013	-	15,589	-	190,048
6852 Level Up Leadership FY 2024 - Title II-A			Contract #78585	-	-	-	313
6846 Title II Part A FFY 2021			S367A210013 / 7000-S367A210013	-	151,587	-	14,138
6848 Title-II Part A FFY 2023 (FY 2024)			S367A230013 / 7000-S367A230013	-	-	-	60,242
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	262,231	-	264,741
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
5803 Title-IV FY 20			S424A200015	-	8,404	-	-
5804 Title-IV FFY 21(SY 21-22 FY 2022)			S424A210015	-	80,246	-	27,610
5805 Title IV-A 2022-2023 FFY 2022			S424A220015	-	2,902	-	70,618
5806 Title IV Part A FFY 23 (SY 23-24 FY2024)			S424A230015	-	-	-	11,052
Total - Student Support and Academic Enrichment Program				-	91,552	-	109,280

SCHOOL CITY OF MISHAWAKA
 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
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
7910 American Rescue Plan - Homeless Children and Youth (ARP-HCY) II		84.425W	7000S425W210015	-	11,637	-	23,168
7940 GEER		84.425C	S425C200018	-	72,898	-	-
7941 CARES Act - 2020 ESSER I		84.425D	S425D200013 / 7000-S425D200013	-	222,324	-	-
7931 CARES Act 2.0 - 2020 ESSER II		84.425D	S425D210013	-	1,240,577	-	1,407,316
7923 ESSER III - 2021		84.425U	S425U210013	-	1,314,338	-	182,444
Total - COVID-19 - Education Stabilization Fund				-	2,861,774	-	1,612,928
Total - Department of Education				-	6,259,157	-	6,038,269
Department of Health and Human Services							
Centers For Disease Control and Prevention	Indiana Department of Education	93.079					
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance			SY 2022-2023	-	500	-	-
Head Start Cluster							
Head Start	Office of Head Start	93.600					
6400 Head Start and Early Head Start - CCDF			05CH011249-05-00	-	11,268	-	14,542
Total - Head Start Cluster				-	11,268	-	14,542
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
6460 Federal Medicaid - IEP			SY 2022-2023	-	208,114	-	-
6460 Federal Medicaid - IEP			SY 2023-2024	-	-	-	60,261
Subtotal - Medical Assistance Program				-	208,114	-	60,261
Medical Assistance Program	Indiana Department of Education	93.778					
6460 Federal Medicaid - MAC			SY 2022-2023	-	116,922	-	-
6460 Federal Medicaid - MAC			SY 2023-2024	-	-	-	172,707
Subtotal - Medical Assistance Program				-	116,922	-	172,707
Total - Medical Assistance Program				-	325,036	-	232,968
Total - Medicaid Cluster				-	325,036	-	232,968
Total - Department of Health and Human Services				-	336,804	-	247,510
Total federal awards expended				\$ -	\$ 10,376,274	\$ -	\$ 9,336,041

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

SCHOOL CITY OF MISHAWAKA
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.

SCHOOL CITY OF MISHAWAKA
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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
	COVID-19 - Education Stabilization Fund	Qualified

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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-001

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Non-Profit School Food Service Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2022-2023, SY 2023-2024
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Non-Profit School Food Service Accounts
Audit Findings: Significant Deficiency, Other Matters

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance related to expenditures charged to the food service program fund.

Indirect costs are those expenditures that benefit multiple programs, including the Child Nutrition Cluster that can be partially allocated to the program. To charge indirect costs, the School Corporation must apply for an indirect cost rate from the Indiana Department of Education (IDOE) each year. Indirect cost rates are calculated by the IDOE Office of School Finance utilizing the School Corporation's semi-annual School Financial Report referred to as the Form 9.

The School Corporation performed transfers out of the School Lunch fund for the allocated portion of the food service's utility service costs through the process of an indirect cost calculation performed by the School Corporation for the year ended June 30, 2024. The School Corporation had not applied or received approval from the IDOE to utilize an indirect cost rate. The total amount charged to the School Lunch fund for these costs totaled \$275,724 for the year ended June 30, 2024. This amount was considered questioned costs.

The lack of internal controls and noncompliance was isolated to the year ended June 30, 2024, and indirect costs noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.332(b)(4) states:

"Indirect cost rate:

- (i) An approved indirect cost rate negotiated between the subrecipient and the Federal Government. If no approved rate exists, a pass-through entity must determine the appropriate rate in collaboration with the subrecipient. The indirect cost rate may be either:
 - (A) An indirect cost rate negotiated between the pass-through entity and the subrecipient. These rates may be based on a prior negotiated rate between a different pass-through entity and the subrecipient, in which case the pass-through entity is not required to collect information justifying the rate but may elect to do so; or
 - (B) The de minimis indirect cost rate."

Cause

A proper system of internal controls was not designed by management of the School Corporation. The School Corporation calculated and charged an indirect cost rate to the food service program but did not seek approval from the IDOE by completing an application to obtain and use an indirect cost rate.

Effect

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

Questioned Costs

Known questioned costs of \$275,724 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended the School Corporation's management establish a proper system of internal controls to ensure that the disbursements are for the benefit of the school lunch program and comply with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Non-Profit School Food Service Accounts compliance requirements.

SCHOOL CITY OF MISHAWAKA
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 2024-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2022-2023, SY 2023-2024
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Significant Deficiency

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with the Eligibility compliance requirement.

A child's eligibility for free or reduced-price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies, institutions, and sponsors then determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. Additionally, a child may be direct certified. For a direct certification, annual eligibility determinations are based on the child's household receiving benefits under the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), the Head Start program (ALN 93.600), or, under most circumstances, the Temporary Assistance for Needy Families (TANF) program (ALN 93.558). A household may furnish documentation of its participation in one of these programs; or the school, institution, or sponsor may obtain the information directly from the state or local agency that administers these programs. Certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts. Direct certified households do not need to complete an application for free or reduced-priced meals.

The direct certification report was downloaded from the State of Indiana database monthly and uploaded to the School Corporation's lunch point-of-sale (POS) system. However, the School Corporation had not developed an oversight or review process to ensure the direct certification report was downloaded monthly, or that the upload had imported correctly, and students' status was updated accordingly. Additionally, a year-to-date direct certification report was not completed to identify any potential discrepancies. An internal control process was in place for students who submitted free and reduced-price applications, but not for students who were directly certified.

The lack of internal controls was a systemic issue throughout the audit period but isolated to students directly certified.

SCHOOL CITY OF MISHAWAKA
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 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

The School Corporation had not developed an oversight or review process to ensure the direct certification report was downloaded monthly or that the upload had imported correctly, and students' status was updated accordingly.

Effect

The failure to design or implement a system of internal controls places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

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 ensure that the appropriate reviews, approvals, and oversight are documented.

Views of Responsible Officials

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

FINDING 2024-003

Subject: Special Education Cluster (IDEA) - Earmarking

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): H027A190084 / 22611-037-PN01,
H027A200084 / 21611-037-PN01,
H173A210104 / 22619-037-PN01,
H173A220104 / 23619-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

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

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Earmarking compliance requirement.

The School Corporation is to ensure the same proportionate share amount of services is expended for students with disabilities in nonpublic schools as they do for students with disabilities in the public school system.

The School Corporation did not have adequate policies or procedures in place to ensure that employees properly documented time worked split between public and non-public students. The School Corporation maintained time and effort logs documenting all employees who worked exclusively on the Special Education Program utilizing a semiannual certification. Employees who worked with both non-public and public students were included on the semiannual certifications, but the School Corporation did not maintain documentation supporting how much time was spent working specifically with nonpublic students. Due to this, we were not able to determine if the School Corporation met the earmarking requirement for the grants noted.

The lack of internal controls and noncompliance was isolated to employees that spent time working with both public and nonpublic students within the grants noted above by identifying number.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over 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 MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Through management inquiry, they were unaware of the requirements to track nonpublic proportionate share expenditures directly for each employee based on actual time spent on nonpublic education.

Effect

The amounts requested for reimbursement were not supported by actual expenditures, but rather by a percentage per employee. Therefore, we were not able to determine if the unit was in compliance with the earmarking requirements. 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

Management of the School Corporation should develop written policies and procedures which would require tracking of actual nonpublic proportionate share expenditures by employee. Documentation should be maintained to show how these expenditures are being tracked to ensure compliance with the earmarking 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: 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: 84.425D
Federal Award Number and Year (or Other Identifying Number): S425D210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

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 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.

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

A property record or capital asset listing is required to be maintained for all equipment purchased with the Education Stabilization Fund (ESF) grant award to ensure adequate safeguards are in place to prevent loss or damage of items. Equipment to be included in the listing is that which exceeds the School Corporation's capital asset threshold of \$5,000.

The School Corporation hired a consultant to compile and provide to them a fixed asset report that contained all inventory and assets purchased that exceeded the School Corporation's capitalization threshold every three years. A physical inventory is completed in house in years which the consultant does not compile a listing. A physical inventory was conducted by the consultant through June 30, 2023, and was to be updated for purchases through June 30, 2024, by School Corporation staff. However, the School Corporation did not have any policies or procedures in place to ensure the listing was complete, nor was there any documentation that differences between the compiled asset report and the School Corporation's equipment records were reviewed and resolved.

During the audit period, a total of eight pieces of equipment that met the capitalization threshold were purchased with the ESF. Of these assets, one was not listed on the capital asset listing prepared by the consultant for the year ending June 30, 2023, and two were not on the capital asset listing updated in-house for the year ending June 30, 2024.

In total, the School Corporation purchased \$1,014,045 of equipment and improvements with the ESFs which should have been recorded as capital assets purchased with federal grant funds as these items exceeded the capitalization threshold. These items were not detailed in the capital asset listing which also could have documented if the items were properly maintained and safe-guarded as required. Additionally, none of the five that were included on the capital asset listing included all required components including who holds the title and how much was purchased with federal funds.

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 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 federal award identification number), 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.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

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

- (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. . . ."

Cause

Management 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 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 the School Corporation establish a proper system of internal controls that would ensure compliance with the Equipment and Real Property management records.

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 - Special Tests and Provisions - Wage Rate Requirement
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425D
Federal Award Number and Year (or Other Identifying Number): S425D210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirement
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance.

The School Corporation did not have adequate policies or procedures to ensure that all construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause or certified payrolls were submitted. The School Corporation entered into three contracts during the audit period that were subject to the wage rate requirements. Two of the three contracts did not have the required prevailing wage rate clause included in the contract nor were certified payrolls submitted to the unit for each week in which construction was performed for these two same contractors.

The lack of internal controls and noncompliance during the audit period was isolated to the two contracts noted above.

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). . . ."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

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

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Records and certified payrolls . . .*

(ii) *Certified payroll requirements*

(A) *Frequency and method of submission.* The contractor or subcontractor must submit weekly, for each week in which any DBA- or Related Acts-covered work is performed, certified payrolls to the [write in name of appropriate Federal agency] if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the certified payrolls to the applicant, sponsor, owner, or other entity, as the case may be, that maintains such records, for transmission to the [write in name of agency]. The prime contractor is responsible for the submission of all certified payrolls by all subcontractors. A contracting agency or prime contractor may permit or require contractors to submit certified payrolls through an electronic system, as long as the electronic system requires a legally valid electronic signature; the system allows the contractor, the contracting agency, and the Department of Labor to access the certified payrolls upon request for at least 3 years after the work on the prime contract has been completed; and the contracting agency or prime contractor permits other methods of submission in situations where the contractor is unable or limited in its ability to use or access the electronic system. . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

Management had not established a system of internal controls that would ensure compliance including ensuring that the required clause was included in the contracts and that certified payrolls were received for the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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

Effect

The failure to establish an effective system of internal controls over the Special Test and Provisions - Wage Rate Requirement resulted in two contracts not meeting the guidelines established. 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 the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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 - Allowable Costs/Cost Principles
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: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Federal funds may only be used to pay staff for work that has occurred supporting the objective of the federal program. As such, proper time and effort documentation is to be maintained by the School Corporation. The purpose of time and effort recording is to provide documentation of the time spent working on specific federal programs to ensure charges are accurate for each program.

In a sample of six payroll disbursements charged to the Education Stabilization Fund (ESF) grant, four disbursements were for payments to employees whose time was split between the ESF and nonfederal activity. Time and effort records were not maintained for any of these four employees, and, therefore, we were unable to determine if the total costs were allowable, resulting in \$5,572 of questioned costs.

SCHOOL CITY OF MISHAWAKA
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 200.403 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 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .
- (iv) Encompass federally-assisted and all other activities compensated by the recipient or subrecipient on an integrated basis but may include the use of subsidiary records as defined in the recipient's or subrecipient's written policy; . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

While across the board stipends are not permitted, LEAs may pay staff for COVID-related work that has been documented. Most, if not all, staff likely had extra responsibilities as well as time and effort to respond to the pandemic. ESSER funds can be used to pay staff for that work and LEAs are responsible for documenting that this work occurred. (Indiana Department of Education, ESSER III Frequently Asked Questions (FAQs) updated August 16, 2021)

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

Cause

A proper system of internal controls over the payroll disbursements for employees who worked with both federal and nonfederal programs was not properly designed or implemented by management. The School Corporation did not maintain a record of the actual time spent working on extra responsibilities for COVID-related work to ensure allowability.

Effect

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

Questioned Costs

Known questioned costs of \$5,572 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management design and implement a system of internal controls to ensure that disbursement documentation will be obtained, retained, and made available for audit and that the disbursements comply with the Allowable Costs/Cost Principles compliance requirement.

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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially incurred: 2022

Current Audit Period: July 1, 2022 to June 30, 2024

Finding Subject: COVID-19 – Education Stabilization Fund – Special Tests and Provision – Wage Rate Requirements

Summary of Finding:

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation did not have adequate policies or procedures in place to ensure that the required certified payrolls were received. Certified payrolls from the contractors for each week in which contract work was performed during the audit period were not received weekly as required. The School Corporation requested and received the certified payroll documents at the completion of the audit.

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

Status of Audit Finding:

Not Corrected

Response Comments:

Will be creating and putting into place a Corrective Action Plan to meet the compliance standards required in regard to certified payroll when Federal Funds are expended on a project.

Administrative Center

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially incurred: 2022

Current Audit Period: July 1, 2022 to June 30, 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 in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not properly maintain records for equipment purchased with grant funds. The School Corporation did not add eight of nine assets purchased with grant funds to the School Corporation's capital asset detailed ledger 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 the 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, and the use and condition of the property nor were assets properly maintained and safeguarded. Additionally, the School Corporation was unable to provide documentation of a completed physical inventory during the audit period of July 1, 2020 to June 30, 2022.

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

Status of Audit Finding:

Not Corrected

Response Comments:

A Corrective Action Plan will be created and implemented to resolve the breakdown in the equipment/assets not being properly recorded and the records not being properly maintained. The process as it stands right now will be reviewed and modified to correct the procedure. As our Purchasing Specialist is leaving the corporation, the opportunity exists to modify the process to ensure better accuracy.

Administrative Center

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CORRECTIVE ACTION PLAN

FINDING 2024-001

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The amount transferred during the time period of July 1, 2024-December 31, 2024 will be transferred back to Fund 0800. This transfer will be done once the Form 9 for period 2 of 2024 is complete and the month of December is closed. An indirect cost rate for Fiscal Year 2026 has been applied for and this rate will be used to capture these costs from Fund 800 if approved beginning 7.1.2025.

Anticipated Completion Date: The fund transfer back to Fund 0800 will occur by March 31, 2025. The claiming of the indirect cost rate will begin 7.31.2025 dependent upon the approval of the corporation's indirect cost rate application.

Administrative Center

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CORRECTIVE ACTION PLAN

FINDING 2024-002

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Assistant Food Service Director will print out the Direct Certification report and review for its accuracy. She will then provide the report to the Food Service Director for her review. After both individuals have reviewed the reports that were produced, they both will sign and date the reports to provide the documentation that the information was reviewed and verified.

Anticipated Completion Date: This new process will begin at month end of February 2025.

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CORRECTIVE ACTION PLAN

FINDING 2024-003

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Exceptional Learner Departmental staff going forward will work with the Payroll department to account for all individuals that are to be paid from Federally Funded Grants and other funding sources. From these lists of employees, the EL Departmental staff will designate the individuals working public and non-public students. Time and Effort records will be kept for all employees along with documents listing the impacted employees. These lists will then be reviewed during the certification process by the person creating the listing with Payroll personnel, the Exceptional Learner Director and the Director of Business Services to ensure that all employees are accounted for.

Anticipated Completion Date: This new process will begin with the next semi-certification process.

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CORRECTIVE ACTION PLAN

FINDING 2024-004

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As our Purchasing Specialist is leaving the corporation, we are taking the opportunity to revise who and how the inventory and capital asset listings are tracked and maintained. These duties will be assigned to an individual who will coordinate the purchases from the various buildings and departments. We will be looking to designate an individual at each building and department who will track and account for purchases over \$5,000 and then submit the information to the person coordinating the information for the corporation. This information will be available to the Business Department to review and use while completing the submission of the Annual Financial Report at the end of the Fiscal Year.

Anticipated Completion Date: This new process should be in place by July 1, 2025.

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CORRECTIVE ACTION PLAN

FINDING 2024-005

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The steps were put in place to correct this finding in January 2023. Since then any expenditures of federal funding which included payments to contractors with payroll, certified payrolls have been required before payment is issued. Along with that their contracts have included language that fulfill the Davis-Bacon wage requirements.

Anticipated Completion Date: The process was amended to meet these requirements in January 2023.

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CORRECTIVE ACTION PLAN

FINDING 2024-006

Contact Person Responsible for Corrective Action: Rachel Dutoi
Contact Phone Number: 574-254-4503

Views of Responsible Official: We concur with the audit finding.

Description of Corrective Action Plan: The Business Departmental staff going forward will work with the Payroll department to account for all individuals that are to be paid from Federally Funded Grants and other funding sources. From these lists of employees, the Business Department staff will designate the individuals being paid from federally funded grants and other local or state funds. Time and Effort records will be kept for all employees along with documents listing the impacted employees. These lists will then be reviewed during the certification process by the person creating the listing with Payroll personnel, the Assistant Director of Business Services and the Director of Business Services to ensure that all employees are accounted for.

Anticipated Completion Date: This new process will begin with the next impacted payroll cycle.

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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/>.