

**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

HANOVER COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/11/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Sempf	07-01-22 to 06-30-25
Superintendent of Schools	Mary Tracy-MacAulay	07-01-22 to 06-30-25
President of the School Board	Tara Beilke Tracy Haskell	07-01-22 to 12-31-24 01-01-25 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

### 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 HANOVER COMMUNITY SCHOOL  
CORPORATION, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Hanover Community School Corporation (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 25, 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 or significant deficiencies 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 25, 2025



Paul D. Joyce, CPA  
State Examiner

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ROOM E418  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

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 HANOVER COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

## Report on Compliance for Each Major Federal Program

### ***Qualified and Unmodified Opinions***

We have audited the Hanover Community School Corporation'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 Child Nutrition Cluster***

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 Child Nutrition Cluster for the period of July 1, 2022 to June 30, 2024.

### ***Qualified Opinion on Special Education Cluster***

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

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)

**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.

*Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster*

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Child Nutrition Cluster, as described in item 2024-001 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on Special Education Cluster*

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Special Education Cluster, as described in item 2024-002 for Procurement and Suspension and Debarment. 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.

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)

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.

**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 2024-003. 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.

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)

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 2024-001 and 2024-002, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-003, to be 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 25, 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 25, 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.

HANOVER COMMUNITY SCHOOL CORPORATION  
 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					
			2022-23	\$ -	\$ 107,423	\$ -	\$ -
			2023-24	-	-	-	76,320
				<u>-</u>	<u>107,423</u>	<u>-</u>	<u>76,320</u>
	Total - School Breakfast Program			-	107,423	-	76,320
National School Lunch Program							
	Indiana Department of Education	10.555					
			2022-23	-	663,278	-	-
			2023-24	-	-	-	417,731
			FY2023	-	56,168	-	-
			FY2024	-	-	-	77,449
			FY 2023 and FY 2024	-	68,885	-	81,642
				<u>-</u>	<u>788,331</u>	<u>-</u>	<u>576,822</u>
	Total - National School Lunch Program			-	788,331	-	576,822
	Total - Child Nutrition Cluster			-	895,754	-	653,142
Pandemic EBT Administrative Costs							
	Indiana Department of Education	10.649					
			FY2023	-	628	-	-
				<u>-</u>	<u>628</u>	<u>-</u>	<u>-</u>
	Total - Department of Agriculture			-	896,382	-	653,142
<u>Department of Justice</u>							
Public Safety Partnership and Community Policing Grants							
	Direct Grant	16.710					
			15JCOPS-21-GG-03735-SSIX	-	252,261	-	81,515
				<u>-</u>	<u>252,261</u>	<u>-</u>	<u>81,515</u>
	Total - Department of Justice			-	252,261	-	81,515
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027					
			22611-043-PN01	-	109,782	-	53
			23611-043-PN01	-	489,327	-	228,067
			24611-043-PN01	-	-	-	747,698
				<u>-</u>	<u>599,109</u>	<u>-</u>	<u>975,818</u>
	Subtotal - Special Education Grants to States			-	599,109	-	975,818
	COVID-19 - Special Education Grants to States	84.027					
			22611-043-ARP	-	93,862	-	29,481
				<u>-</u>	<u>93,862</u>	<u>-</u>	<u>29,481</u>
	Total - Special Education Grants to States			-	692,971	-	1,005,299
Special Education Preschool Grants							
	Indiana Department of Education	84.173					
			22619-043-PN01	-	3,949	-	-
			23619-043-PN01	-	10,314	-	3,158
			24619-043-PN01	-	-	-	15,174
				<u>-</u>	<u>14,263</u>	<u>-</u>	<u>18,332</u>
	Subtotal - Special Education Preschool Grants			-	14,263	-	18,332

HANOVER COMMUNITY SCHOOL CORPORATION  
 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 - Special Education Preschool Grants FY 2022 IDEA ARP 619 Grant	Indiana Department of Education	84.173	22619-043-ARP	-	8,851	-	514
Total - Special Education Preschool Grants				-	23,114	-	18,846
Total - Special Education Cluster (IDEA)				-	716,085	-	1,024,145
Title I Grants to Local Educational Agencies Title I 2021-2022 Title I 2022-2023	Indiana Department of Education	84.010	S010A210014 S010A220014	-	128,706	-	-
Total - Title I Grants to Local Educational Agencies				-	128,706	-	122,441
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Title II-A 2019-21 FFY-2019 Title II-A 2020-22 FFY-2020 Teacher Leaders Bootcamp Title II-A 2021-23 FFY 2021	Indiana Department of Education	84.367	S367A190013 S367A200013 S367A210013 S367A210013	- - - -	8,547 35,400 3,899 -	- - - -	- - - 31,961
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	47,846	-	31,961
Student Support and Academic Enrichment Program Title IV Part A FY2020 Title IV Title IV Part A FY2021 Title IV Part A FY2022	Indiana Department of Education	84.424	S424A200015 S424D200003 S424A210015 S424A220015	- - - -	10,000 5,775 11,735 -	- - - -	- 8,580 - 8,114
Total - Student Support and Academic Enrichment Program				-	27,510	-	16,694
COVID-19 - Education Stabilization Fund ESSER I ESSER II ESSER III	Indiana Department of Education	84.425D 84.425D 84.425U	S425D200013 S425D210013 7000S425U210013	- - -	154,073 - -	- - -	- 550,756 819,248
Total - COVID-19 - Education Stabilization Fund				-	154,073	-	1,370,004
Total - Department of Education				-	1,074,220	-	2,565,245
<u>Department of Health and Human Services</u>							
Medicaid Cluster Medical Assistance Program Medicaid-MAC Medicaid-MAC	Indiana Department of Education	93.778	FY2023 FY2024	- -	32,055 -	- -	- 16,155
Total - Medicaid Cluster				-	32,055	-	16,155
Total - Department of Health and Human Services				-	32,055	-	16,155
Total federal awards expended				\$ -	\$ 2,254,918	\$ -	\$ 3,316,057

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

HANOVER COMMUNITY SCHOOL CORPORATION  
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. Special Education Cooperative**

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in 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.

HANOVER COMMUNITY SCHOOL CORPORATION  
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
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.425	COVID-19 - Education Stabilization Fund	Unmodified

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**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2024-001**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
 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): 2022-23, 2023-24  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: Procurement and Suspension and Debarment  
 Audit Findings: Material Weakness, Modified Opinion

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAM exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

A population of three covered transactions for non-food purchases that equaled or exceeded \$25,000 paid from the School Lunch fund were identified. All three transactions, totaling \$226,565, were tested; however, the School Corporation did not verify the suspension and debarment status prior to entering into the contracts.

The lack of internal controls and noncompliance were isolated to nonfood purchases.

*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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM.gov Exclusions, or
- (b) Collecting a certification from that person, or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

The School Corporation's process was to check for SAM Exclusions and attach the search results to the accounts payable voucher. However, the SAM exclusion check process was not properly implemented for the nonfood vendors tested nor was a certification collected, or a clause or condition added to the covered transaction.

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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's management evaluate the procedures established to ensure processes are functioning as intended to prevent, or detect and correct, material noncompliance.

*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: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

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

Assistance Listings Number: 84.027

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

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

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320 states in part:

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

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

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2024-003**

Subject: Special Education Cluster (IDEA) - Earmarking

Federal Agency: Department of Education

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

Assistance Listings Numbers: 84.027, 84.173

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Significant Deficiency, Other Matters

*Condition and Context*

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

(g) Be adequately documented. . . ."

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

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*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.



**Board of School Trustees**

Tara Beilke, Scott Burdan, Tracy Haskell  
Aaron Kuzma, Eric Valiska

**Central Office**

Mary Tracy-MacAulay, Ph.D.  
*Superintendent of Schools*

Phil Misecko, Ed.S.  
*Assistant Superintendent of  
Curriculum and Instruction*

Adam C. Minth  
*Assistant Superintendent of  
Business and Operations*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2022-001**

**Fiscal year in which the finding initially occurred:** 2022

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

**Finding Subject:** Child Nutrition Cluster - Allowable Costs/Cost Principles

**Summary of Finding:** An employee had duties related to the operation of the food service program and other nonfederal duties. The employee's wages were paid from both grant and nongrant funds. However, the employee did not maintain documentation of time spent on each activity.

**Status of Audit Finding:** Fully corrected

**Response Comments:** Corrective action was taken.

The school corporation has implemented controls to enhance its oversight regarding the previously identified employee who was splitting her duties between the Child Nutrition Cluster and her other non-federal duties. The Corporation Treasurer and the Assistant Superintendent of Business and Operations performed an analysis to determine what percentage of her workload was directly related to the Child Nutrition Cluster, and what percentage was related to her non-federal duties. The analysis determined that the employee was spending 10% of her time with her non-federal related duties and 90% of her time with her Child Nutrition Cluster Duties. The Assistant Superintendent of Business and Operations then directed the Payroll Specialist regarding the employee's future payroll distribution percentage of 10% to Fund 0300 and 90% to Fund 0800.





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Aaron Kuzma, Eric Valiska

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Superintendent of Schools

Phil Miesecko, Ed.S.  
Assistant Superintendent of  
Curriculum and Instruction

Adam C. Minth  
Assistant Superintendent of  
Business and Operations

## CORRECTIVE ACTION PLAN

FINDING 2024-001

Subject: Child Nutrition Cluster-Suspension and Debarment

Summary of Finding The School Corporation did not verify that three of three vendors tested were neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs.

Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Views of Responsible Official: The school corporation concurs with the finding and will be implementing corrective procedures by the end of this fiscal year.

Description of Corrective Action Plan: Our Child Nutrition Director will conduct the necessary suspension and debarment check via [Sam.gov](https://www.sam.gov) to make certain that we are in compliance with each vendor throughout the entire fiscal year. This will be in addition to our Food, Dairy and Bakery vendors that are contracted, as their suspension and debarment information is checked by a third-party purchaser.

Anticipated Completion Date: 4/30/2025



Hanover Community School Corporation • 14525 Wicker Ave Cedar Lake, IN 46303  
Phone 219-374-3500 • Fax 219-374-4411 • [www.hanover.k12.in.us](http://www.hanover.k12.in.us)

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## CORRECTIVE ACTION PLAN

### FINDING 2024-002

Subject: Special Education Cluster (IDEA) – Procurement

Summary of Finding: During the 2023-2024 fiscal year, federal grant funds were to pay for contracted speech services. The vendors used exceeded the Simplified Acquisition Threshold and sealed bids or competitive proposals were not obtained.

Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Views of Responsible Official: The school corporation concurs with the finding and will be implementing corrective procedures by the end of this fiscal year.

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

Anticipated Completion Date: 4/30/2025





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## CORRECTIVE ACTION PLAN

FINDING 2024-003

Subject: Special Education Cluster (IDEA) – Earmarking

Summary of Finding: Lack of effective internal controls to ensure earmarking requirements were met for grants that began prior to September 2022

Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Views of Responsible Official: The school corporation concurs with the finding and will be implementing corrective procedures by the end of this fiscal year.

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

Anticipated Completion Date: 4/30/2025



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## OTHER REPORTS

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