

**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

DUNELAND SCHOOL CORPORATION

PORTER COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn A. Kwilasz	07-01-22 to 06-30-25
Superintendent of Schools	Dr. Chip Pettit	07-01-22 to 06-30-25
President of the School Board	Tom Schnabel Alayna Lightfoot Pol Brandon Kroft	07-01-22 to 12-31-22 01-01-23 to 12-31-24 01-01-25 to 06-30-25



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

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER 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 Duneland 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 March 12, 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

March 12, 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 DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Duneland 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 Special Education Cluster (IDEA)

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

Unmodified Opinion on 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)

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Special Education Cluster (IDEA), as described in item 2024-001 for Matching, Level of Effort, Earmarking. 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 item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated March 12, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 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.

DUNELAND 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FFY2023	\$ -	\$ 260,912	\$ -	\$ -
School Breakfast Program			FFY2024	-	-	-	210,138
Total - School Breakfast Program				-	260,912	-	210,138
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FFY2023	-	1,252,666	-	-
National School Lunch Program			FFY2024	-	-	-	917,350
Supply Chain Assistance (SCA) Funds			FFY2022	-	268,444	-	-
Supply Chain Assistance (SCA) Funds			FFY2022	-	-	-	169,795
Commodities			FFY2023, FFY2024	-	217,731	-	215,372
Total - National School Lunch Program				-	1,738,841	-	1,302,517
Total - Child Nutrition Cluster				-	1,999,753	-	1,512,655
Farm to School Grant Program	Indiana Department of Education	10.575					
Farm to School Grant Program			40010575FTSGP24	-	-	-	20,000
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
Child Nutrition Discretionary Grants Limited Availability			7182022IN500342	-	-	-	24,995
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			FY2022	-	3,135	-	-
Total - Department of Agriculture				-	2,002,888	-	1,557,650
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grants to States			21611-046-PN01	-	38,685	-	-
Special Education Grants to States			22611-046-PN01	-	391,276	-	39,836
Special Education Grants to States			23611-046-PN01	-	907,374	-	515,741
Special Education Grants to States			24611-046-PN01	-	-	-	954,819
Subtotal - Special Education Grants to States				-	1,337,335	-	1,510,396
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grants to States			22611-046-ARP	-	38,230	-	267,855
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			22619-046-PN01	-	1,844	-	-
Special Education Preschool Grants			23619-046-PN01	-	35,120	-	1,701
Special Education Preschool Grant			24619-046-PN01	-	-	-	27,148
Subtotal - Special Education Preschool Grants				-	36,964	-	28,849
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			22619-046-ARP	-	-	-	22,807
Total - Special Education Cluster (IDEA)				-	1,412,529	-	1,829,907

DUNELAND 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2021-2022			S010A210014	-	152,785	-	-
Title I 2022-2023			S010A220014	-	321,759	-	243,715
Title I 2023-24			S010A230014	-	-	-	397,839
Total - Title I Grants to Local Educational Agencies				-	474,544	-	641,554
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2021-2023			S365A210014	-	2,829	-	-
Title III 2022-2024			S365A220014	-	4,724	-	5,050
Title III 2023-2025			S365A230014	-	-	-	5,180
Total - English Language Acquisition State Grants				-	7,553	-	10,230
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Supporting Effective Instruction State Grants			CONTRACT #064371	-	4,000	-	-
Supporting Effective Instruction State Grants			Contract #077896	-	-	-	4,272
Title II Part A 2020-2022			S367A200013	-	4,896	-	-
Title II Part A 2021-2023			S367A210013	-	73,396	-	15,965
Title II Part A 2022-2024			S367A220013	-	10,273	-	109,053
Title II Part A 2023-25			S367A230013	-	-	-	1,430
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	92,565	-	130,720
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 2020-2022			S424A200015	-	20,674	-	-
Title IV Part A 2021-2023			S424A210015	-	30,521	-	8,792
Title IV Part A 2022-2024			S424A220015	-	-	-	34,576
Title IV Part A 2023-2025			S424A230015	-	-	-	7,518
Total - Student Support and Academic Enrichment Program				-	51,195	-	50,886
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
Education Stabilization Fund		84.425D	S425D200013	-	496,344	-	586,466
Education Stabilization Fund		84.425U	S425U200013	-	2,782,251	-	793,892
Total - COVID-19 - Education Stabilization Fund				-	3,278,595	-	1,380,358
Total - Department of Education				-	5,316,981	-	4,043,655
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid Reimbursement to Schools IEP Services			FY2023	-	46,104	-	-
Medicaid Reimbursement to Schools IEP Services			FY2024	-	-	-	67,255
Total - Medicaid Cluster				-	46,104	-	67,255
Total - Department of Health and Human Services				-	46,104	-	67,255
Total federal awards expended				\$ -	\$ 7,365,973	\$ -	\$ 5,668,560

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

DUNELAND 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 non-federal 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. Porter County Education Services (PCES)

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

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

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

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

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

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

No matters are reportable.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-001

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, COVID-19 - Special Education Grants to States,
Special Education Preschool Grants, COVID-19 - Special Education Preschool Grants
Assistance Listings Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 22611-046-PN01, 22611-046-ARP,
22619-046-PN01, 22619-046-ARP
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Porter County Education Services (Cooperative). During the audit period, 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.

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 Proportionate Share expenditures for the 22611-046-PN01, 22611-046-ARP, 22619-46-PN01, and 22619-046-ARP grant awards could not be verified for the individual member schools. Total grant expenditures were posted as expended. The nonpublic proportionate share expenditures were determined by applying a percentage to the nonpublic school budgeted expenditures. As such, the Indiana State Board of Accounts was unable to identify if the minimum amount per the grant award was expended and properly reported to the IDOE as required.

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). . . ."

DUNELAND SCHOOL CORPORATION
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: . . .

(g) Be adequately documented. . . ."

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

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

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

Cause

Through inquiry of 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 July 2022, all 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

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure nonpublic proportionate share funds are appropriately allocated to the member school based on expenditures charged directly on behalf of the member school. Supporting documentation for these expenditures should be retained for audit.

Views of Responsible Officials

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

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2024-002

Subject: Special Education Cluster (IDEA) - Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
Assistance Listings Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 22611-046-PN01, 23611-046-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation is a member of the Porter County Education Services (Cooperative). During the audit period, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the suspension and debarment requirements. The Cooperative did not have effective internal controls to ensure compliance with the suspension and debarment requirements.

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

Upon inquiry of the Cooperative in order to review procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the Cooperative explained that if the covered transaction had a contract, the contract was verified to make sure the clause for suspension and debarment was included. However, if the covered transaction did not involve a contract, the Cooperative did not have procedures in place to verify the suspension and debarment requirements. A population of five covered transactions for goods or services that equaled or exceeded \$25,000 paid from the 22611-046-PN01 and 23611-046-PN01 grant award funds during the 2022-2023 fiscal year period was identified. Three of the five covered transactions did not have documentation to show that they were verified for the suspension and debarment requirements.

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). . . ."

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

A proper system of internal controls was not designed by management of the School Corporation. Although the Cooperative was aware of this requirement and verified that a suspension and debarment clause was included in the contract, they were not aware that it applied to covered transactions without a contract.

Effect

Without adequate internal controls, the School Corporation cannot ensure that the vendors paid with federal funds were eligible to participate in federal programs. Any program funds the School Corporation used to pay vendors that were suspended and debarred would be unallowable, and the awarding agency could potentially recover them.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure vendors are not suspended, debarred, or otherwise excluded prior to entering into any covered transactions.

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.



DUNELAND

SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2020-001

Fiscal year in which the finding initially occurred: FY2019-2020

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

Finding Subject: Title I Grants to Local Educational Agencies – Level of Effort – Supplement

Status of Audit Finding: Fully Corrected

FY2020-2021: The grant year was underway when this finding was noted. Grant Administration, Human Resources and Business Office discussed ways to ensure that an equitable level of support is provided to all schools within the district so that Title I funds serve as supplemental funding and do not replace or supplant local and state (non-federal) funding resources. A foundational set of personnel resources was established. Financial reports related to local funding (Education Fund and Referendum Fund) were reviewed for the second period of 2020-2021 (January 1, 2021 – June 30, 2021) for information purposes. Instructional aide personnel continued to be adversely impacted by the pandemic (difficult to fill open positions or to maintain staff overall).

Beginning with the planning of the 2021-2022 school year, the foundational personnel level was assessed by building. Teacher-student ratios were monitored and reviewed throughout the June/July period and instances where those ratios were exceeded or significantly under target resulted in addition or reductions in base level instructional staffing for the ensuing school year. Classroom aides are reviewed and adjusted in the same manner however that process is finalized after the first week of the school year. Ratios are set by program level; K-4 and 5-6 as those educational levels participate in the Title I programs.

The annual Title I comparability report is used as an evidence check on this process. Foundational personnel are budgeted as a part of the annual corporation budget process. Actual expenditures are monitored throughout the year and adjustments are made within the scope of the overall corporation budget to cover foundational personnel expenditures. Overall expenditures from local money (Education Fund and Referendum Fund) are reviewed by school during each 6-month ending period. The schools within the K-4 elementary grade span are compared as Title I versus non-Title I schools. The same process is done for the schools within the 5-6 intermediate grade span. Accounting reports are run by school location to review overall instructional and total expenditures.



CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Special Education Cluster (IDEA) - Earmarking

Contact Person Responsible for Corrective Action: Lynn A. Kwilas

Contact Phone Number and Email Address: 219.983.3604; lkwilasz@duneland.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

School corporation personnel will work with PCES Cooperative personnel to appropriately review the PCES processes and procedures that have been established by PCES to ensure that the required level of expenditures for non-public school students with disabilities is tracked and met for the school corporation.

Anticipated Completion Date:

June 30, 2025



CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Special Education Cluster (IDEA) – Suspension and Debarment

Contact Person Responsible for Corrective Action: Lynn A. Kwilas

Contact Phone Number and Email Address: 219.983.3604; lkwilasz@duneland.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

School corporation personnel will work with PCES Cooperative personnel to appropriately review the PCES processes and procedures that have been established by PCES to ensure that the required Suspension and Debarment checks are completed prior to initiating transactions covered by this requirement.

Anticipated Completion Date:

June 30, 2025

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/>.