

**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

MIDDLEBURY COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

02/18/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-20
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22
Corrective Action Plan	23-26
Other Reports.....	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa Stutsman	07-01-22 to 06-30-25
Superintendent of Schools	Jayson Snyder	07-01-22 to 06-30-25
President of the School Board	Kate Hummel	07-01-22 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

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 MIDDLEBURY COMMUNITY SCHOOLS, ELKHART 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 Middlebury Community Schools (School Corporation), for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 9, 2025, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001.

Middlebury Community Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

January 9, 2025



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

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 MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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 major federal programs for the period of July 1, 2022 to June 30, 2024.

Basis for Opinion on Each Major Federal Program

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.

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.

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)

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.

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.

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 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 2024-002 and 2024-003, 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 January 9, 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

January 9, 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.

MIDDLEBURY COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Career and Technical Education - Basic Grants to States Perkins Ed Readiness Grant	Indiana Governor's Workforce Cabinet	84.048	23-0512-ERG4	-	-	-	69,417
English Language Acquisition State Grants Title III FFY 2020 2021-2023 Title III 2022-2024 Title III 2022-2024 Title III	Indiana Department of Education	84.365	S365A200014 S365A210014 S365A230014 S365A220014	- - - -	- 28,589 - -	- - - -	7,001 2,498 2,424 26,225
Total - English Language Acquisition State Grants				-	28,589	-	38,148
Supporting Effective Instruction State Grants Title II-A 2021-2022 Title IIA 2023-2025 FFY 2023 Title IIA FFY 22 (FY 23)	Indiana Department of Education	84.367	S367A210013 S367A230013 S367A220013	- - -	75,442 - 28,785	- - -	392 44,536 69,895
Total - Supporting Effective Instruction State Grants				-	104,227	-	114,823
Student Support and Academic Enrichment Program Title IV 21-22 FFY 22 Title IVA FFY 2022 FY 2023 Title IVA FFY 2022 FY 2023	Indiana Department of Education	84.424	S424A210015 S424A220015 S424A230015	- - -	37,773 19,208 -	- - -	- 8,589 32,451
Total - Student Support and Academic Enrichment Program				-	56,981	-	41,040
COVID-19 - Education Stabilization Fund 3E Grant Explore Engage Experience Governor's Emergency Education Relief Fund GEER ESSER II ESSER III - 7923 ARP HCY II	Indiana Department of Education	84.425	7000S425U210013 S425C200018 S425D210013 S425U210013 S425W210015	- - - - -	198,724 188,293 632,102 1,222,130 -	- - - - -	291,364 - 24,170 1,080,535 17,470
Total - COVID-19 - Education Stabilization Fund				-	2,241,249	-	1,413,539
Total - Department of Education				-	3,621,152	-	3,147,976
Department of Health and Human Services							
Medicaid Cluster Medical Assistance Program Medicaid Reimbursement - IEP Medicaid Reimbursement - IEP Medicaid Reimbursement - MAC Medicaid Reimbursement - MAC	Indiana Family and Social Services Administration Indiana Department of Education	93.778	FY 2023 FY 2024 FY 2023 FY 2024	- - - -	32,284 - 23,877 -	- - - -	- 28,131 - 51,352
Total - Medical Assistance Program				-	56,161	-	79,483
Total - Medicaid Cluster				-	56,161	-	79,483
Total - Department of Health and Human Services				-	56,161	-	79,483
Total federal awards expended				\$ -	\$ 5,630,313	\$ -	\$ 4,809,792

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

The Uniform Guidance requires an annual audit of 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. GEER I Expenditures

The School Corporation was a participant in a joint application with other Local Educational Agencies to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. Indiana University Indianapolis served as the fiscal agent for the award and expended award funds for equipment, supplies, and services on behalf of all participants. The School Corporation received equipment, supplies, and services as a result of the awarded grant in the amount of \$188,293. As a result, the activity for the GEER I award that is presented as federal awards expended on the SEFA is not presented as receipts and disbursements on the financial statement for the School Corporation.

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified 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

FINDING 2024-001

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

Condition and Context

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

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

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

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

- The National School Lunch Program expenditures were understated by \$203,940 and \$133,197 for fiscal years 2022-2023 and 2023-2024, respectively.
- Expenditures were reported for the Child and Adult Care Food Program in error, which resulted in an overstatement of expenditures in the amount of \$207,075 and \$133,197 for 2022-2023 and 2023-2024, respectively.
- The Special Education Grants to the States expenditures were understated by \$843,269 and \$733,215 for 2022-2023 and 2023-2024, respectively.
- The Special Education Preschool Grants expenditures were overstated by \$735,410 and \$267,397 for 2022-2023 and 2023-2024, respectively.
- Expenditures of federal awards were reported under an invalid Assistance Listings Number, 84.012, which resulted in an overstatement of expenditures in the amount of \$107,859 and \$480,765 for 2022-2023 and 2023-2024, respectively.
- Four additional federal grants had individually immaterial errors or omissions that resulted in an overstatement of expenditures totaling \$13,197 for 2022-2023.
- Four additional federal grants had individually immaterial errors that resulted in an understatement of expenditures totaling \$45,979 for 2023-2024.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Criteria

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

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

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

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

Management of the School Corporation had not implemented an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-002

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A210014, S010A230014,
S010A220014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition and Context

The School Corporation submits the October Real Time Data (RT) report each year to the Indiana Department of Education. This data is used to report the School Corporation's enrollment and poverty (socioeconomic) status of the students enrolled in each school. The annual Pupil Enrollment count is a compilation of data from all RT and Enrollment and Mobility reports, for public and non-public schools respectively, which then becomes the official enrollment count for each school. This compiled data populates the socioeconomic status counts on the Eligible School Summary of the Title I applications for the School Corporation, which determines group eligibility for the program.

The School Corporation had not designed or implemented a system of internal controls that included an oversight or review process to prevent or detect student socioeconomic status count errors on the Eligible School Summary of the Title I applications for the School Corporation.

The lack of internal controls was a systemic issue that occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The socioeconomic status counts on the Eligible School Summary of the Title I application were prepopulated and, as such, the grant specialist believed the data was correct and did not perform a review to ensure its accuracy.

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

Effect

Without a proper review of the data, the socioeconomic counts in the Title I application could be incorrect. Incorrect data in the Title I application could lead to an incorrect determination of Title I eligibility.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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: Title I Grants to Local Educational Agencies - Earmarking
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Number and Year (or Other Identifying Number): S010A210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

Condition and Context

Homeless children and youth are automatically eligible for services under Title I, Part A, whether or not they live in a Title I school attendance area or meet the academic standards required of other children for eligibility. The School Corporation is required to reserve (set-aside) the funds necessary to provide homeless children services comparable to services provided in Title I, Part A schools. The set-aside is to be a reasonable amount of funds to meet the needs of the homeless population in the school community. At the end of each grant period, if the School Corporation's obligation to provide services to students experiencing homelessness has been met, but the amount needed to meet that obligation was less than the amount the school had reserved, the school may carry over those unused funds to support any allowable Title I, Part A activities in the next school year. However, if at the end of each grant period the School Corporation's obligation to provide services has not been met, the funds must be carried over to the next school year to provide services to those students experiencing homelessness, in addition to reserving funds from that next school year's grant award for that purpose.

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

The 2021-2022 grant award homeless reservation was \$8,600. The School Corporation did not spend any of the funds, but was determined to have met its obligation based on documentation provided. However, through inspection of the final grant report, it was determined that \$276 of the \$8,600 was used inappropriately in the current school year for other Title I, Part A activities and not for the needs of the homeless student population.

The lack of internal controls and noncompliance were isolated to the 2022-2023 school year.

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 200.400 states in part:

"The application of these cost principles is based on the fundamental premises that:

- (a) The recipient and subrecipient are responsible for the efficient and effective administration of the Federal award through sound management practices.
- (b) The recipient and subrecipient are responsible for administering Federal funds in a manner consistent with Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

20 USC 6313(c)(3)(A) states:

"A local educational agency shall reserve such funds as are necessary under this part, determined in accordance with subparagraphs (B) and (C), to provide services comparable to those provided to children in schools funded under this part to serve -

- (i) homeless children and youths, including providing educationally related support services to children in shelters and other locations where children may live;
- (ii) children in local institutions for neglected children; and
- (iii) if appropriate, children in local institutions for delinquent children, and neglected or delinquent children in community day programs."

Cause

Total expenditures for the grant were not adequately monitored to ensure funds from the homeless reservation were not spent on other activities.

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

Effect

A portion of the homeless reservation was spent on activities not related to the homeless population.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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.

MIDDLEBURY COMMUNITY SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2022-2024

Finding Subject: Child Nutrition Cluster – Activities Allowed or Unallowed, Allowable Costs/Costs/Cost Principles, Procurement

Summary of Finding:

The Director of Food Service was to receive invoices to be paid from the School Lunch Fund for review and approval. However, there was no consistent evidence of the Director of Food Service's review, or review by a person knowledgeable of the grant requirements.

Status of Audit Finding:

Fully Corrected and the original corrective action plan was implemented.

Response Comments:

N/A



Administration Center: 56853 Northridge Drive, Middlebury, Indiana 46540
Phone: (574) 825-9425 • Fax: (574) 825-9426 • Web: www.mcsin-k12.org

MIDDLEBURY COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2024-001

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

Summary of Finding: The School Corporation is required to enter financial information into the Indiana Gateway for Government Units ("Gateway") financial reporting system electronically after the close of each fiscal year, as prescribed. This information, specifically the grant information, serves as the basis for the School Corporation's Schedule of Expenditures of Federal Awards ("SEFA"). The School Corporation submitted its grant information in accordance with the prescribe requirements, however, they did not have effective oversight over the grant information prepared and submitted in Gateway.

Contact Person Responsible for Corrective Action: Assistant Superintendent

Contact Phone Number and Email Address: 574-825-9425; yoderj2@mcsin-k12.org

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Business Manager will prepare Annual Financial Report statements. Assistant Superintendent will review Annual Financial Report, sign the cover page, and upload to Gateway. Both Business Manager and Assistant Superintendent will review ALN numbers listed in the SEFA for accuracy.

Anticipated Completion Date: Immediately



Administration Center: 56853 Northridge Drive, Middlebury, Indiana 46540
Phone: (574) 825-9425 • Fax: (574) 825-9426 • Web: www.mcsin-k12.org

MIDDLEBURY COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Title I Grants to Local Education Agencies – Internal Controls Over Eligibility

Summary of Finding: Material Weakness:

Though no errors were found in the Title I application, a documented internal control plan needs to be in place to ensure that the Enrollment and Poverty numbers inputted into the Title I Application by the IDOE matches the School Corporation's internal records (Real Time Reports). This checks and balances for monitoring the Enrollment and Poverty numbers on the Title I application could reduce the risk of errors.

Contact Person Responsible for Corrective Action: Kari Dyer

Contact Phone Number and Email Address: (574)825-9425, dyerk@mcsin-k12.org

Views of Responsible Officials:

We concur with the finding. Though no discrepancies were found between the LEA and the Enrollment and Poverty numbers populated by the IDOE in the Title I Application, a checks and balances needs to be in place to ensure accuracy in the Title I application, reducing the risk for error and ensuring the LEA allocates funds appropriately.

Description of Corrective Action Plan:

The School Corporation plans to take the following action:

- Develop a dual signature page requiring verification from Title I Program Director and MCS Data Manager that IDOE Enrollment and Poverty numbers populated in the Title I Application match the LEA internal records from the October 1 count day of the previous school year. This internal control document will be titled Enrollment and Poverty Verification.
- Utilize and maintain record of the Enrollment and Poverty Verification signature form during the Title I Application period to ensure the alignment of IDOE data and LEA enrollment and poverty numbers in the Title I application. Verification from both the Title I Program Director and the MCS Data Manager will be required.
 - Upon submission of Oct. 1 ADM, the MCS Data Manager will supply ADM information on the Enrollment and Poverty Verification form to the Title I Program Director.
 - During the creation of the Title I budget application, Title I Program Director will cross-reference and verify Oct. 1 ADM data with the Enrollment and Poverty numbers populated by the IDOE in the Title I application, addressing discrepancies with the IDOE Title Grant Specialist should they occur.

Anticipated Completion Date:

Winter 2025: Internal Control process written for Enrollment and Poverty Verification

Winter 2025: Creation of Enrollment and Poverty Verification signature form.

Annually: Utilization of the Enrollment and Poverty Verification process and signature form during the October ADM process and during the Title I Application process. The first use of the form will be in winter, 2025 to document Oct. 1, 2024 enrollment and poverty numbers with the first verification occurring during the fall, 2025 Title I Budget Application process for SY25-26.



Administration Center: 56853 Northridge Drive, Middlebury, Indiana 46540
(574) 825-9425 • Fax: (574) 825-9426 • Web: www.mcsin-k12.org

Enrollment and Poverty Verification

ADM Count: October 1, _____
 Title I Grant Period: FY _____

School #	School Name	Grade Span	Enrolled		Poverty			Title School
			Pub	Non-Pub	Pub	Non-Pub	Total	
1656	Jefferson Elementary	K-3						
1697	York Elementary	K-3						
1732	Middlebury Elementary	K-3						
1743	Orchard View Elementary	K-3						
1731	Heritage Intermediate	4-5						
1657	Northridge Middle School	6-8						
1733	Northridge High School	9-12						

The above information is accurate to the best of my knowledge per the attached data that was submitted to the IDOE for Oct. 1 ADM reporting.

 Data Manager Signature

 Date

Enrollment and Poverty Data Populated by IDOE in Title I Application

School #	School Name	Grade Span	Enrolled		Poverty			Title School
			Pub	Non - Pub	Pub	Non-Pub	Total	
1656	Jefferson Elementary	K-3						
1697	York Elementary	K-3						
1732	Middlebury Elementary	K-3						
1743	Orchard View Elementary	K-3						
1731	Heritage Intermediate	4-5						
1657	Northridge Middle School	6-8						
1733	Northridge High School	9-12						

Select One:

- The Enrollment and Poverty data populated by the IDOE in the Title I Application matches the School District's October 1 ADM data from the previous school year.
- The Enrollment and Poverty data populated by the IDOE in the Title I Application does NOT match the School District's October 1 ADM data from the previous school year.

The above information is accurate to the best of my knowledge per the attached data that was submitted to the IDOE for Oct. 1 ADM reporting, and the data reported by the IDOE.

 Title I Program Director Signature

 Date

MIDDLEBURY COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2024-003

Finding Subject: Title I Grants to Local Educational Agencies - Earmarking

Summary of Finding: Material Weakness, Other Matters

The School District is required to set aside a reasonable amount of funds to meet the needs of the homeless population in the school community. These funds cannot be used for any other purpose than the needs of the homeless population. At the end of the grant period, unspent funds must be carried forward to the next grant year. If the school district meets the obligation of attempting to spend the homeless set-aside funds, the funds may be carried over into the general Title I award for the next grant. The funds are not required to go back into the homeless reservation. The 2021-2022 grant award homeless reservation was \$8,600. The School Corporation did not spend any of these funds, but was determined to have met their obligation based on documentation provided. The School Corporation did not provide evidence that the \$8,600 was carried over to the next school year. However, it was determined that \$276 of the \$8,600 was used inappropriately in the current school year for other Title I, Part A activities, and not for the needs of the homeless student population. This noncompliance and lack of internal controls was isolated to the 2022-23 school year.

Contact Person Responsible for Corrective Action: Kari Dyer

Contact Phone Number and Email Address: (574)825-9425; dyerk@mcsin-k12.org

Views of Responsible Officials:

The School District concurs with this finding. Homeless Reservation funds should only be used for the needs of the homeless student population.

Description of Corrective Action Plan:

The School District is implementing new monitoring procedures for the Title I Fund to verify unspent funds for the Homeless Reservation are not used for any other Title I expenses. After the 2022-23 school year, the School District changed the way in which it expends the Homeless Reservation by utilizing these funds for salary and benefits of a Homeless Liaison. Monitoring these expenditures requires dual signature approvals by the Business Assistant and the Title I Program Director prior to being released.

Anticipated Completion Date:

Immediate



Administration Center: 56853 Northridge Drive, Middlebury, Indiana 46540
(574) 825-9425 • Fax: (574) 825-9426 • Web: www.mcsin-k12.org

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/>.