

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LEWIS CASS SCHOOLS

CASS COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kristi Hull	07-01-21 to 04-01-22
	(Vacant)	04-02-22 to 05-02-22
	Scott Bumgardner	05-03-22 to 07-07-23
	(Vacant)	07-08-23 to 07-16-23
	Valerie Moore	07-17-23 to 03-15-24
Superintendent of Schools	Dr. Tim Garland	07-01-21 to 06-30-24
President of the School Board	Ryan Zeck	07-01-21 to 01-11-23
	Rick Lee	01-12-23 to 06-30-24



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 LEWIS CASS SCHOOLS, CASS 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 Lewis Cass Schools (School Corporation), for the period of July 1, 2021 to June 30, 2023, 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, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002.

Lewis Cass Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024



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

TO: THE OFFICIALS OF THE LEWIS CASS SCHOOLS, CASS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the Lewis Cass 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, 2021 to June 30, 2023. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

Basis for Qualified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in item 2023-004 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-006 for Special Tests and Provisions - Wage Rate Requirements, 2023-007 for Equipment and Real Property Management, and 2023-008 for Reporting. Compliance with such requirements 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.

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

- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

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 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008, 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.

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)

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 12, 2024, 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, 2024

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.

LEWIS CASS SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

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 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 21-22	-	\$ 188,644	-	-
School Breakfast			FY 22-23	-	-	-	127,233
Total - School Breakfast Program				-	188,644	-	127,233
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 21-22	-	608,798	-	-
Commodities			FY 22-23	-	-	-	495,296
Supply Chain			FY 21-22, FY 22-23	-	81,300	-	58,582
Supply Chain			7182022IN890342	-	-	-	60,198
Supply Chain			7182023IN890342	-	-	-	15,107
Total - National School Lunch Program				-	690,098	-	629,183
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559					
Summer Food Service			FY 21-22	-	19,494	-	-
Summer Food Service			FY 22-23	-	-	-	7,478
Total - Summer Food Service Program for Children				-	19,494	-	7,478
Total - Child Nutrition Cluster				-	898,236	-	763,894
Total - Department of Agriculture				-	898,236	-	763,894
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education	Indiana Department of Education	84.027					
Special Education			19611-133-PN01	-	181,723	-	-
Special Education			19611-133-PN01	-	-	-	509,106
Total - Special Education Grants to States				-	181,723	-	509,106
Special Education Preschool Grants							
Special Education	Indiana Department of Education	84.173					
Special Education			19619133PN01	-	7,490	-	-
Special Education			19619133PN01	-	-	-	5,880
Total - Special Education Preschool Grants				-	7,490	-	5,880
Total - Special Education Cluster (IDEA)				-	189,213	-	514,986
Title I Grants to Local Educational Agencies							
Title I	Indiana Department of Education	84.010					
Title I			S010A190014	-	104,130	-	-
Title I			S010A190014	-	-	-	284,584
Total - Title I Grants to Local Educational Agencies				-	104,130	-	284,584

LEWIS CASS SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

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 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Supporting Effective Instruction State Grants Title II Title II	Indiana Department of Education	84.367	S367A190013 S367A190013	- -	13,242 -	- -	- 67,177
Total - Supporting Effective Instruction State Grants				-	13,242	-	67,177
Student Support and Academic Enrichment Program Title IV Title IV	Indiana Department of Education	84.424	S424A190015 S424A190015	- -	2,000 -	- -	- 10,779
Total - Student Support and Academic Enrichment Program				-	2,000	-	10,779
COVID-19 - Education Stabilization Fund ESSER ESSER ESSER II ESSER II ESSER III ESSER III	Indiana Department of Education	84.425 84.425D 84.425D 84.425D 84.425U 84.425U	S425D200013 S425D200013 S425D210013 S425D210013 S425U210013 S425U210013	- - - - - -	36,421 - 239,777 - 168,707 -	- - - - - -	- 29,100 - 61,632 - 671,382
Total - COVID-19 - Education Stabilization Fund				-	444,905	-	762,114
Total - Department of Education				-	753,490	-	1,639,640
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program INMac - Medicaid INMac - Medicaid IEP IEP	Indiana Department of Education Indiana Family and Social Services Administration	93.778 93.778	FY 21-22 FY 22-23 FY 21-22 FY 22-23	- - - -	27,064 - 34,452 -	- - - -	- 23,837 - 103,270
Total - Medical Assistance Program				-	61,516	-	127,107
Total - Medicaid Cluster				-	61,516	-	127,107
Total - Department of Health and Human Services				-	61,516	-	127,107
Total federal awards expended				\$ -	\$ 1,713,242	\$ -	\$ 2,530,641

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

LEWIS CASS 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 grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2022 and 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed 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.

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Qualified Qualified

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

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

FINDING 2023-001

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 at 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.

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared and entered the federal award information into Gateway, and the Deputy Treasurer 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:

1. The Child Nutrition Cluster expenditures were understated by \$150,415 for fiscal year 2021-2022 and overstated by \$372,291 for 2022-2023.
2. The COVID-19 - Education Stabilization Fund expenditures were understated by \$126,148 and \$652,303 for 2021-2022 and 2022-2023, respectively.
3. The Medicaid Cluster expenditures were overstated by \$9,262 for 2021-2022 and understated by \$107,202 for 2022-2023.
4. Additional grants had individually immaterial errors totaling of \$58,172 for 2022-2023.

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

Criteria

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; . . ."

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (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."

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:

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

Cause

Management of the School Corporation had not established a 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.

FINDING 2023-002

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

Condition and Context

The School Corporation is required to file Annual Financial Reports (AFR) 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 financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, were not effective.

The School Corporation had not established internal controls to properly review the financial information prepared and submitted in Gateway. The Treasurer prepared and entered the financial information into Gateway without a review or approval process to detect and correct errors prior to submission.

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of internal controls, the financial statement presented for audit included the following errors:

1. The Education fund receipts and disbursements were understated by \$4,925,624 and \$6,438,876, respectively, which overstated the ending cash and investments balance by \$1,513,252 for 2021-2022.
2. The Operations fund receipts and disbursements were understated by \$1,857,779 and \$2,953,196, respectively, which overstated the ending cash and investments balance by \$1,095,417 for 2021-2022.
3. Other individually immaterial errors understated receipts and disbursements by \$3,581,989 and \$3,820,624, respectively, which overstated the ending cash and investments balance by \$238,636 for 2021-2022.
4. Individually immaterial errors understated receipts and disbursements by \$1,127,949 and \$1,312,763, respectively, and overstated other financing sources and uses by \$1,107, which overstated the ending cash and investments balance by \$185,921 for 2022-2023.

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

Criteria

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

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

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

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

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the School Corporation had not established a system of internal controls that would have ensured proper reporting of the financial statement.

Effect

Without an effective system of internal controls that operated effectively, material misstatements of the financial statement remained undetected. The financial statement 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 21-22, FY 22-23,
7182022IN890342,
7182023IN890342

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition and Context

The School Corporation did not have effective internal controls in place to ensure costs charged to the food service program were allowable and in conformance with the cost principles.

The School Corporation designed and implemented a process to ensure that costs charged for vendor claims to the food service program were allowable and in conformance with the cost principles. The process was for vendor claims to be reviewed and approved by the department head or Food Service Director and the Treasurer. However, during our test of 40 vendor claims, there were 5 claims that were not approved by the department head or the Food Service Director and 1 claim not approved by the department head or Food Service Director and the Treasurer.

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:

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

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

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2023-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 21-22, FY 22-23,
7182022IN890342,
7182023IN890342

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Procurement

The School Corporation did not have effective internal controls in place to ensure costs charged for goods and services to the food service program were properly procured.

The School Corporation designed and implemented a process to ensure that costs charged for goods and services to the food service program were properly procured. The process was for vendor claims to be reviewed and approved by the department head or Food Service Director and the Treasurer. However, during our test of 11 vendor claims that fell within the micro-purchase threshold, there were 5 claims that were not approved by the department head or the Food Service Director.

The lack of internal controls was isolated to 2022-2023.

Suspension and Debarment

The School Corporation had not properly designed or implemented a system of internal controls which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting noncompliance. Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation disclosed procedures had not been performed that ensured all vendors were not suspended or debarred prior to entering into covered transaction. There were five covered transactions that equaled or exceeded \$25,000 that were identified, totaling \$254,729. All five covered transactions were selected for testing. For two of the transactions, totaling \$85,616, the School Corporation had not performed procedures that ensured vendors were not suspended or debarred, or otherwise excluded or disqualified from participating in federal assistance programs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

LEWIS CASS SCHOOLS
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. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's managements statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-005

Subject: COVID-19 - Education Stabilization Fund - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistant Listings Numbers: 84.425D, 84.425U

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition and Context

The School Corporation did not have effective internal controls in place to ensure that costs charged to the COVID-19 - Education Stabilization Fund (ESF) grant award were allowable and in conformance with the cost principles.

The School Corporation designed and implemented a process to ensure that costs charged for vendor claims to the ESF grant award were allowable and in conformance with the cost principles. The process was for vendor claims to be reviewed and approved by the department head and the Treasurer. However, during our test of 40 vendor claims, there were 17 claims that were not approved by the department head and the Treasurer.

The lack of internal controls was a systemic issue 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

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2023-006

Subject: COVID-19 - Education Stabilization Fund - Special Tests
and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistant Listings Number: 84.425U
Federal Award Number and Year (or Other Identifying Number): S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation had established policies and procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause prior to management signing the contract; however, the School Corporation's policies did not include a system of internal controls to ensure that the required certified payrolls were submitted by the contractors.

One construction contract was awarded, totaling \$629,800, with payments of \$472,180 during the audit period, that was paid from the COVID-19 - Education Stabilization Fund grant award. The contract contained the required prevailing wage rate clause; however, the School Corporation had not obtained the required payroll and statements of compliance related to the contract.

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and noncompliance were isolated to the one contract noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

29 CFR 5.5 states in part:

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

(1) *Minimum wages.*

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

(3) *Payrolls and basic records.* . . .

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. . . ."

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200 Appendix II states in part:

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

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

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, certified payrolls were not obtained as required.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure payroll records are obtained as required.

Views of Responsible Officials

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-007

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The COVID-19 - Education Stabilization Funds (ESF) may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by the Department of Education (ED) or the pass-through entity. In addition, with prior approval by the ED or the pass-through entity, recipients and subrecipients may use the ESF funds to purchase real property and perform construction or minor remodeling, and for improvements to land, buildings, or equipment that meet the overall purpose of the ESF program, which is "to prevent, prepare for, and respond to" the COVID-19 pandemic.

A property record or capital asset listing, which would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and use and condition of the property is to be maintained for assets purchased that exceed the School Corporation's capitalization threshold.

The School Corporation purchased two servers and completed an HVAC project using Education Stabilization Funds; however, those items were not included on property records that included all the required information. The missing information included a description of the property, source of funding, percentage of federal participation in the project costs, location, and use and condition of the property. In addition, a physical inventory was not completed after the equipment was purchased, nor were any procedures in place to ensure the proper safeguarding and maintenance of the equipment purchased.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.313(d) states in part:

". . .

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, property records were not maintained, physical inventories were not conducted, and safeguarding and maintenance of equipment purchased with the Education Stabilization Funds was not conducted.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure asset records include all necessary information and are added individually, inventories and safeguarding and maintenance of equipment purchased is conducted.

Views of Responsible Officials

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-008

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports. The annual data reports were compiled, prepared, and submitted by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

In addition, the six reports submitted during the audit period contained errors. The errors were as follows:

- The ESSER I, Year 2 and ESSER II, Year 1 reports did not contain any expenditures for the reporting period; however, according to the School Corporation's records, there were expenditures of \$43,786 for ESSER I and \$39,648 for ESSER II during this period.
- The ESSER I, Year 3; ESSER II, Year 2; ESSER III, Year 1; and ESSER III, Year 2 reports were not supported by the School Corporation's records, were not accurate and complete, and were not mathematically accurate. Reported amounts were greater than the amount shown in the ledger by \$35,940, \$97,761, and \$25,763, respectively.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

LEWIS CASS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following
...

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, ESSER reports were not supported by the School Corporation's records, were not accurate and complete, and were not mathematically accurate.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure that all reports are submitted accurately.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Dr. Tim Garland – Superintendent
100 S. Main St. / P.O. Box 104
Walton, IN 46994
Phone 574-626-2525
FAX 574-626-2751
www.lewiscass.net



School Board of Trustees:
Mr. Rick Lee - President
Mrs. Becky Comoglio - Vice
President
Mr. Tim Johnson - Secretary
Mrs. Kristi Hull - Member
Mr. Ryan Zeck - Member

Summary Schedule of Prior Audit Findings

Finding 2021-001

Fiscal Year in Which the Finding Initially Occurred: FY 2021

Current Audit Period: 07/01/2021-06/30/2023

Finding Subject: Child Nutrition Cluster- Internal Controls

Summary of Finding: An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management, Program Income, and Special Tests and Provisions- School Food Accounts compliance requirements.

Status of Audit Finding: Fully Corrected and the original corrective action was implemented.

Response Comments: No Further Action Warranted

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School Board of Trustees:
Mr. Rick Lee - President
Mrs. Becky Comoglio - Vice President
Mr. Tim Johnson - Secretary
Mrs. Kristi Hull - Member
Mr. Ryan Zeck - Member

FINDING 2023-001

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

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

Contact Person Responsible for Corrective Action: Tim Garland, Superintendent
Contact Phone Number: 574-626-2525

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

During the audit period, internal control opportunities to ensure proper reporting of federal grants existed. To address and ensure accurate reporting of the Schedule of Expenditures of Federal Awards (SEFA), additional safeguards have been put into place. The Treasurer will prepare the SEFA, and provide to both the Deputy Treasurer and Food Service Director for review. The Deputy Treasurer will review and confirm the SEFA, addressing any variance with the Treasurer. Variances will be documented and resolved. The Food Service Director will review the Child Nutrition Cluster data within the SEFA referencing monthly reports. Any variances identified will also be reported, addressed, resolved, and documented with the Treasurer.

By implementing these key operational opportunities, management looks to enhance internal controls to foster accurate SEFA reporting.

Anticipated Completion Date: Q3 2024 (September 30, 2024)

Dr. Tim Garland – Superintendent
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School Board of Trustees:
Mr. Rick Lee - President
Mrs. Becky Comoglio - Vice
President
Mr. Tim Johnson - Secretary
Mrs. Kristi Hull - Member
Mr. Ryan Zeck - Member

FINDING 2023-002

Finding Subject: Financial Close and Reporting

Summary of Finding: The School Corporation had not established internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (AFR). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct errors on the AFR.

Contact Person Responsible for Corrective Action: Tim Garland, Superintendent

Contact Phone Number: 574-626-2525

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

During the audit period, internal controls established for proper review and confirmation of the Annual Financial Report were not sufficient to ensure accurate reporting. To remedy and ensure accurate reporting moving forward, management has increased internal control procedures to include a dual-verification process referencing data internally and externally of the financial software. Upon generation of the Annual Financial Report file from the financial software, the Treasurer will reference the Deputy Treasurer's independently maintained reporting to review and confirm accurate reporting. Upon completion, the Deputy Treasurer will also review and confirm the data prepared. Once both the Treasurer and Deputy Treasurer have confirmed accuracy, their authorization will be documented on the printed report.

Anticipated Completion Date: Q3 2024 (September 30, 2024)

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FINDING 2023-003

Finding Subject: Child Nutrition Cluster - Internal Controls

Summary of Finding: An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles, Activities Allowed and Unallowed.

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

Contact Person Responsible for Corrective Action: Tim Garland, Superintendent
Contact Phone Number: 574-626-2525

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Lewis Cass Schools makes every effort to ensure proper documentation is obtained before processing vendor claims. To prevent oversight and strengthen internal controls, each level of management oversight has implemented stringent safeguards. All food service vendor claims will not be processed for payment without the authorization of the Food Service Director. Upon confirmation of the Food Service Director's documented authorization, the Deputy Treasurer will document the authorization, and prepare the claim for the Treasurer. The Treasurer will ensure documented authorization of the Food Service Director and the Deputy Treasurer, along with the proper budget account code applied before releasing authorization for payment.

The application of the procedures above will apply to all vendor claims for payment. Therefore, vendors meeting the thresholds for suspension and debarment will also be included.

Anticipated Completion Date: Q2 2024 (6/30/2024)

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FINDING 2023-004

Finding Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Summary of Finding: The School Corporation designed and implemented a process to ensure that costs charged for the procurement of goods and services to the food service program were properly procured. The process was for vendor claims to be reviewed and approved by the department head or Food Service Director and the Treasurer. Prior to entering subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include but are not limited to contracts for goods and services awarded under a non-procurement transaction (i.e. grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

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

Contact Person Responsible for Corrective Action: Tim Garland, Superintendent
Contact Phone Number: 574-626-2525

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

During the audit period, sufficient internal controls were deficient in specific areas which prevented comprehensive program compliance.

To address and rectify the issues as presented, vendor verification will be completed on an annual basis. The Food Service Director and Treasurer will confirm through documentation that vendors are not suspended or debarred using resources available. Documentation representing oversight and compliance will be retained and referenced as needed for verification.

Anticipated Completion Date: Q2 2024 (6/30/2024)

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CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: Education Stabilization Fund - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Summary of Finding:

Finding: Activities Allowed or Unallowed, Allowable Costs/Cost Principles Audit Finding: Material Weakness. The School Corporation had not properly designed and implemented internal controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles. There was not an oversight or review to ensure that the vendor claims were properly approved. The vendor claims were reviewed and approved by the department head and the Treasurer. However, during our review of the 40 vendor claims, there were 17 Accounts Payable Vouchers that were not approved by the department head and the Treasurer.

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

Contact Person Responsible for Corrective Action: Dr. Tim Garland

Contact Phone Number and Email Address: 574-626-2525 / garlandt@lewiscass.net

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan: During the audit period, internal control opportunities were in place but not followed. To address and ensure vendor claims are properly approved by the department head and treasurer Lewis Cass Schools has an internal control process that is in place but was not followed by the treasurer who in the position during the audit period. The treasurer who did not follow the internal control process is no longer employed by Lewis Cass Schools. To ensure the internal control process is currently being followed, several vendor claims were pulled and reviewed. This review found there to be no vendor claims that were not verified by the department head and treasurer.

Anticipated Completion Date: July 1, 2023



CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

Summary of Finding:

Finding: The School Corporation had established policies or procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause prior to management signing the contract, however the School Corporation's policies did not include a system of internal controls to ensure that the required certified payrolls were submitted by the contractors. One construction contract, totaling \$629,800 was paid from the Education Stabilization Fund grant funds. The one contract did contain the required prevailing wage rate clause however the School Corporation had not obtained the required payroll and statements of compliance related to the one contract. The lack of internal controls and noncompliance were systemic issues throughout the audit period. The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the school district.

Recommendation: We recommended that the School Corporation's management establish a system of internal controls over the wage rate requirements and include the wage rate requirement clause in construction contracts.

Contact Person Responsible for Corrective Action: Dr. Tim Garland

Contact Phone Number and Email Address: 574-626-2525 garlandt@lewiscass.net

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan: During the audit period, internal control opportunities were in place but not followed. The controls were described in the contract for the contractor to provide weekly payroll verification but were not followed by the contractor or requested by Lewis Cass Schools. Lewis Cass Schools has put in place a letter to be sent to all contractors who meet the finding. This letter will address the finding for the remaining balance of the federal grant funds This letter will ensure weekly payrolls are sent from the contractor(s) to the Lewis Cass Schools for the duration of the project.

Anticipated Completion Date: March 31, 2024



CORRECTIVE ACTION PLAN

FINDING 2023-007

Finding Subject: Education Stabilization Fund - Equipment and Real Property Management

Summary of Finding:

Finding: Education Stabilization Funds may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior by ED or the pass-through entity. In addition, with prior approval by the ED or the pass-through entity, recipients and subrecipients may use ESF funds to purchase real property and perform construction or minor remodeling, and for improvements to land, buildings, or equipment that meet the overall purpose of the ESF program, which is "to prevent, prepare for, and respond to" the COVID-19 pandemic. The School Corporation had not established policies or procedures to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirements.

The School Corporation purchased two servers and completed a HVAC project using ESF funds however those items were not included on property records that included all the required information (including a description, source of funding, percentage of federal participation, location, and use and condition of the property). In addition, a physical inventory was not completed after the equipment was purchased.

Recommendation: We recommended that management of the School Corporation design and implement a proper system of internal control, including policies and procedures that would provide segregation of duties to ensure property records are maintained for equipment and real property purchased with federal funds and a physical inventory to be completed at least every two years.

Contact Person Responsible for Corrective Action: Dr. Tim Garland

Contact Phone Number and Email Address: 574-626-2525 / garlandt@lewiscass.net

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan: Lewis Cass does have an asset management documentation but it has not been updated since October 2020. Lewis Cass has been actively pursuing an asset management vendor to perform a thorough review and update our current property. The items listed on this finding have been add to the property records. Lewis Cass has the task of finding a new asset management firm and update property records. This task will be completed by fiscal year 2025.

Anticipated Completion Date: 6/30/2024



CORRECTIVE ACTION PLAN

FINDING 2023-008

Finding Subject: Education Stabilization Fund - Reporting

Summary of Finding:

Finding: During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports and two ESSER III reports, for a total of six reports. The annual data reports were compiled, prepared and submitted by one employee without an oversight or review process in place to prevent, or detect and correct, errors. In addition, the six reports submitted during the audit period contained errors. The errors were as follows:

- The ESSER I, Year 2 and ESSER II, Year 1 reports did not contain expenditures for the reporting period, however according to the School Corporation's records there were expenditures for ESSER I and ESSER II during this period.
- The ESSER I, Year 3, ESSER II, Year 2, ESSER III, Year 1, and ESSER III, Year 2 reports were not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate.

Recommendation: We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure supporting documentation is used and retained for all required reports submitted on behalf of the Education Stabilization Fund program funds.

Contact Person Responsible for Corrective Action: Dr. Tim Garland

Contact Phone Number and Email Address: 574-626-2525 / garlandt@lewiscass.net

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan: During the audit period, internal control opportunities were in place but not followed. Lewis Cass Schools has an internal control process that is in place but was not followed by the treasurer who in the position during the audit period. The treasurer who did not follow the internal control process is no longer employed by Lewis Cass Schools. To address and ensure Education Stabilization Funds are properly reported by the treasurer the treasurer will print out the form that was completed by the treasurer and must be signed by the superintendent or department head for review before submittal and filed for record keeping.

Anticipated Completion Date: 3/11/2024

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/>.