

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NORTHWEST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/25/2024

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 | 11-13 |
| Notes to Schedule of Expenditures of Federal Awards..... | 14 |
| Schedule of Findings and Questioned Costs..... | 15-22 |
| Auditee-Prepared Documents: | |
| Summary Schedule of Prior Audit Findings..... | 24 |
| Corrective Action Plan | 25-26 |
| Other Reports..... | 27 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------------|----------------------|
| Treasurer | Patricia Hauser | 07-01-21 to 06-30-24 |
| Superintendent of Schools | Christopher A. Himsel | 07-01-21 to 06-30-22 |
| | Ernest W. Barker | 07-01-22 to 06-30-24 |
| President of the School Board | Kent Somers | 07-01-21 to 01-09-22 |
| | Ron Felger | 01-10-22 to 01-09-23 |
| | Kent Somers | 01-10-23 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 NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN 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 Northwest Allen County 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 14, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 14, 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 NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northwest Allen County 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.

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, 2021 to June 30, 2023.

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 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 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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 2023-001 and 2023-002, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 14, 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 14, 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.

(This page intentionally left blank.)

NORTHWEST ALLEN COUNTY 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 Program | | | FY 21-22 | \$ - | \$ 448,630 | \$ - | \$ - |
| School Breakfast Program | | | FY 22-23 | - | - | - | 269,269 |
| Total - School Breakfast Program | | | | - | 448,630 | - | 269,269 |
| National School Lunch Program | | | | | | | |
| Commodities | Indiana Department of Education | 10.555 | | | | | |
| Commodities | | | FY 21-22 | - | 413,112 | - | - |
| DOD Fresh Fruit Program | | | FY 22-23 | - | - | - | 252,692 |
| DOD Fresh Fruit Program | | | FY 21-22 | - | 10,000 | - | - |
| DOD Fresh Fruit Program | | | FY 22-23 | - | - | - | 25,000 |
| Supply Chain Assistance (SCA) Funds | | | FY 22-23 | - | - | - | 369,750 |
| National School Lunch Program | | | FY 21-22 | - | 3,933,946 | - | - |
| National School Lunch Program | | | FY 22-23 | - | - | - | 2,252,381 |
| Total - National School Lunch Program | | | | - | 4,357,058 | - | 2,899,823 |
| Summer Food Service Program for Children | | | | | | | |
| Summer Food Service Program COVID Waiver | Indiana Department of Education | 10.559 | | | | | |
| | | | FY 21-22 | - | 217,808 | - | - |
| Total - Summer Food Service Program for Children | | | | - | 217,808 | - | - |
| Total - Child Nutrition Cluster | | | | - | 5,023,496 | - | 3,169,092 |
| Pandemic EBT Administrative Costs | | | | | | | |
| P-EBT Admin Funds | Indiana Department of Education | 10.649 | | | | | |
| P-EBT Admin Funds | | | FY 21-22 | - | 3,063 | - | - |
| P-EBT Admin Funds | | | FY 22-23 | - | - | - | 3,135 |
| Total - Pandemic EBT Administrative Costs | | | | - | 3,063 | - | 3,135 |
| Total - Department of Agriculture | | | | - | 5,026,559 | - | 3,172,227 |
| <u>Department of Education</u> | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education Grants to States | Indiana Department of Education | 84.027 | | | | | |
| IDEA Grant Part B Section 611 18/19 (#5238) | | | H027A180084 | - | 28,462 | - | - |
| IDEA Grant Part B Section 611 19/20 (#5239) | | | H027A190084 | - | 25,769 | - | - |
| IDEA Grant Part B Section 611 20/21 (#5240) | | | H027A200084 | - | 337,738 | - | 140,927 |
| IDEA Grant Part B Section 611 21/22 (#5241) | | | H027A210084 | - | 645,556 | - | 607,365 |
| IDEA Grant Part B Section 611 22/23 (#5242) | | | H027A220084 | - | - | - | 509,363 |
| Subtotal - Special Education Grants to States | | | | - | 1,037,525 | - | 1,257,655 |

NORTHWEST ALLEN COUNTY 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 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------|----------------------------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------|----------------------------------------|
| COVID-19 - Special Education Grants to States ARP Supplemental Funding IDEA Part B 611 (#7911) | Indiana Department of Education | 84.027X | H027X210084 | - | - | - | 220,715 |
| Total - Special Education Grants to States | | | | - | 1,037,525 | - | 1,478,370 |
| Special Education Preschool Grants IDEA Preschool Grant 18/19 (#5499) IDEA Preschool Grant 20/21 (#5451) IDEA Preschool Grant 21/22 (#5452) IDEA Preschool Grant 22/23 (#5453) | Indiana Department of Education | 84.173 | H173A180104 H173A200104 H173A210104 H173A220104 | - - - - | 301 - 19,712 - | - - - - | - 244 15,728 15,145 |
| Total - Special Education Preschool Grants | | | | - | 20,013 | - | 31,117 |
| Total - Special Education Cluster (IDEA) | | | | - | 1,057,538 | - | 1,509,487 |
| Title I Grants to Local Educational Agencies Title I 20/21 (#4115) Title I 21/22 (#4116) Title I 22/23 (#4117) | Indiana Department of Education | 84.010 | S010A200014 S010A210014 S010A220014 | - - - | 139,298 98,264 - | - - - | - 181,926 104,865 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 237,562 | - | 286,791 |
| Career and Technical Education - Basic Grants to States 2022 CTE Assessment (#6201) Perkins Grant V/FWCS 22/23 Commodities | Indiana Governor's Workforce Cabinet Fort Wayne Community Schools | 84.048A 84.048 | 22-0512-C 23-0512-P014 | - - | - 34,678 | - - | 862 38,618 |
| Total - Career and Technical Education - Basic Grants to States | | | | - | 34,678 | - | 39,480 |
| Education for Homeless Children and Youth McKinney-Vento Education for Homeless Children and Youth | Fort Wayne Community Schools | 84.196 | S196A210015 | - | 3,890 | - | - |
| Total - Education for Homeless Children and Youth | | | | - | 3,890 | - | - |
| English Language Acquisition State Grants Title III 20/22 (#6885) Title III 21/23 (#6886) Title III 22/24 (#6887) | Indiana Department of Education | 84.365 | S365A200014 S365A210014 S365A220014 | - - - | 9,151 670 - | - - - | 8,511 9,211 990 |
| Total - English Language Acquisition State Grants | | | | - | 9,821 | - | 18,712 |
| Supporting Effective Instruction State Grants Title II Part A 19/21 Title II Part A 20/22 Title II Part A 21/23 | Indiana Department of Education | 84.367 | S367A190013 S367A200013 S367A210013 | - - - | 34,175 107,697 - | - - - | - 10,468 101,015 |
| Total - Supporting Effective Instruction State Grants | | | | - | 141,872 | - | 111,483 |

NORTHWEST ALLEN COUNTY 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 |
|------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|---------------------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------------|----------------------------------------|
| Student Support and Academic Enrichment Program | Indiana Department of Education | 84.424 | | | | | |
| Title IV Part A 19/21 (#5804) | | | S424A190015 | - | 1,711 | - | - |
| Title IV Part A 20/22 (#5805) | | | S424A200015 | - | 11,419 | - | 8,581 |
| Title IV Part A 21/23 (#5806) | | | S424A210015 | - | - | - | 14,450 |
| Total - Student Support and Academic Enrichment Program | | | | - | 13,130 | - | 23,031 |
| COVID-19 - Education Stabilization Fund | Indiana Department of Education | 84.425 | | | | | |
| ESSER I CARES Act 20/22 (#7941) | | 84.425D | S425D200013 | - | 58,882 | - | - |
| ESSER II (CRRSAA) 20/23 (#7931) | | 84.425D | S425D210013 | - | 766,739 | - | - |
| ESSER III (ARP) 20/24 (#7923) | | 84.425U | S425U210013 | - | 940,573 | - | 629,041 |
| GEER Funds/EACS | | 84.425C | S425C200018 | - | 15,245 | - | 2,121 |
| ARP HCY II Homeless (#7910) | | 84.425W | S425W210015 | - | - | - | 9,635 |
| Total - COVID-19 - Education Stabilization Fund | | | | - | 1,781,439 | - | 640,797 |
| Total - Department of Education | | | | - | 3,279,930 | - | 2,629,781 |
| Department of Health and Human Services | | | | | | | |
| Medicaid Cluster | | | | | | | |
| Medical Assistance Program | Indiana Department of Education | 93.778 | | | | | |
| Federal Medicaid Reimbursement (#6460) | | | FY 21-22 | - | 83,111 | - | - |
| Federal Medicaid Reimbursement (#6460) | | | FY 22-23 | - | - | - | 86,089 |
| Total - Medical Assistance Program | | | | - | 83,111 | - | 86,089 |
| Total - Medicaid Cluster | | | | - | 83,111 | - | 86,089 |
| Total - Department of Health and Human Services | | | | - | 83,111 | - | 86,089 |
| Department of Homeland Security | | | | | | | |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Indiana Department of Homeland Security | 97.036 | | | | | |
| COVID-19 Emergency Response FEMA (#7944) | | | FEMA-4515-DR-IN | - | 295,441 | - | - |
| Total - Department of Homeland Security | | | | - | 295,441 | - | - |
| Total federal awards expended | | | | \$ - | \$ 8,685,041 | \$ - | \$ 5,888,097 |

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

NORTHWEST ALLEN COUNTY 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.

Note 3. GEER I Expenditures

The School Corporation was a participant in a joint application with other Local Educational Agencies (LEAs) to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. The East Allen County Schools 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 and services as a result of the awarded grant in the amount of \$17,366. As a result, the activity for the GEER 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.

NORTHWEST ALLEN COUNTY 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? | no |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statement noted? | no |

Federal Awards:

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

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

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

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

| | |
|----------------------------------------|----|
| Auditee qualified as low-risk auditee? | no |
|----------------------------------------|----|

Section II - Financial Statement Findings

No matters are reportable.

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

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
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Reporting
Audit Finding: Material Weakness

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.

Eligibility

Any child enrolled in a participating school who meets the applicable program's definition of "child," may receive meals under the applicable program. In the case of the National School Lunch Program and School Breakfast Program, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price. As a general rule, a child's eligibility for free or reduced-price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Additionally, a child may be direct certified. For a direct certification, annual eligibility determinations are based on the child's household receiving benefits under SNAP, FDPIR, the Head Start Program (ALN 93.600), or, under most circumstances, the TANF program (ALN 93.558). A household may furnish documentation of its participation in one of these programs; or the school may obtain the information directly from the state or local agency that administers these programs. Direct certified households do not need to complete an application.

The Food Service Assistant Director downloaded the direct certification import files from the Indiana Department of Education's CNP website and imported them directly into the School Corporation's POS system that tracks student eligibility statuses for free and reduced-price meals. The direct certification import files were then saved on a drive where the Food Service Director could access them; however, there was no review or approval process over the direct certification import process to ensure data was properly imported.

Reporting

The School Corporation must submit monthly sponsor claims for reimbursement (claims) for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim.

Claims were submitted to the Indiana Department of Education as required; however, the claims were prepared by one employee without a review or approval process in place to prevent, or detect and correct, errors.

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 appropriate segregation of duties. 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 are taking place.

Views of Responsible Officials

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

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-002

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, FY22-23
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

Procurement

When the value of goods or services exceeds the simplified acquisition threshold, the proper purchasing method would be the bidding process, unless the purchase meets certain other qualifications. Federal regulations allow for informal procurement methods when the value of the procurement for goods or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds: micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources. If it is determined a single source provider can be used for a small purchase, documentation must be retained supporting the determination.

During fiscal year 2022-2023, the School Corporation purchased five ovens, totaling \$311,705, from one vendor. As the cost of the ovens was in excess of \$150,000, the proper procurement method would have been the formal bid process; however, the School Corporation only obtained quotes. Additionally, there was no contract between the School Corporation and this vendor.

The lack of effective internal controls and noncompliance was isolated to the purchase noted above.

Suspension and Debarment

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

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 that the Food Service Director obtained verification from the vendors to ensure they are not suspended or debarred prior to entering into covered transaction. There were ten covered transactions, totaling \$830,842, that equaled or exceeded \$25,000 identified. Two covered transactions were selected for testing. For one of the two covered transactions tested, totaling \$69,560, the School Corporation had not performed procedures that ensured the vendor was not suspended or debarred or otherwise excluded or disqualified from participating in federal assistance programs.

The identified lack of internal controls and noncompliance was isolated to 2021-2022.

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 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

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

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

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

(1) *Sealed bids.* A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

(i) In order for sealed bidding to be feasible, the following conditions should be present:

- (A) A complete, adequate, and realistic specification or purchase description is available;
- (B) Two or more responsible bidders are willing and able to compete effectively for the business; and
- (C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(ii) If sealed bids are used, the following requirements apply:

- (A) Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
- (B) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- (C) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- (D) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- (E) Any or all bids may be rejected if there is a sound documented reason.

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(2) *Proposals.* A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. They are awarded in accordance with the following requirements:

(i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(ii) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and making selections;

(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered; and

(iv) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby offeror's qualifications are evaluated, and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services through A/E firms that are a potential source to perform the proposed effort. . . ."

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 management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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, the improper procurement method was utilized for one vendor and a vendor to whom payments equal to or in excess of \$25,000 were made was 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 the proper procurement method is used for purchase and 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.

AUDITEE-PREPARED DOCUMENTS

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



Northwest Allen County Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: Fiscal Year 2020
Current Audit Period: July 1, 2021 – June 30, 2023

Finding Subject: Child Nutrition Cluster-Allowable Costs/Cost Principles and Program Income

Summary of Finding:

Effective internal controls were not in place to comply with requirements related to the Allowable Costs/Cost Principles and Program Income compliance. Employee salaries and benefits were paid from the Child Nutrition Cluster program without adequate supporting documentation as required by the grant agreement. The cost of trash removal services was paid from the Child Nutrition Cluster program without adequate supporting documentation. Because these costs were not considered allowable, it was not a proper use of Program Income.

Status of Audit Finding:

The status of the Audit Finding is that it is fully corrected, but the corrective action implemented differs significantly from the original planned corrective action.

Response Comments:

Administrative Guidelines and Procedures were established to fully correct the ineffective internal controls outlined above. Documentation by way of work studies were implemented at the beginning of the 2022 school year to determine allowable costs for employee salaries and trash services.

Upon receiving an administrative review by the Indiana Department of Education in March, 2023, the corrective action plan was significantly changed. To comply with the findings of the Department of Education, only actual hours worked within Food Service can be charged to the Child Nutrition Program. Time sheets approved with actual hours worked will be used as supporting documentation. No time studies are allowed. Fees related to trash service can only be charged if a separate trash bin has been designated for Food Service only. Only actual costs are allowed. No trash studies are used.

*Patricia A. Hauser
Corporation Treasurer
February 13, 2024*



Northwest Allen County Schools

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Child Nutrition Cluster – Internal Controls

Summary of Finding: We did not properly design internal controls to prevent, detect or correct noncompliance over Eligibility, Direct Certifications, or Reporting Claims Submissions.

Contact Person Responsible for Corrective Action: Leeanne Koeneman

Contact Phone Number and Email Address: Leeanne.Koeneman@nacs.k12.in.us; 260-637-8768

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Board has already taken action and approved an additional staff member to the Food Service Department to ensure segregation of duties. By adding the Food Service Administration Assistant to the department, their role will add a level of review to ensure compliance with Direct Certification eligibility status for students that are uploaded by the Assistant Food Service Director. The review will ensure that the upload of data is correct and complete. The duties of the added position will also include a review of monthly reporting of Sponsorship Claims, prepared by the Food Service Director prior to submission to the Indiana Department of Education (IDOE).

Anticipated Completion Date: June 30, 2024



Northwest Allen County Schools

CORRECTIVE ACTION PLAN

FINDING 2023-002

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

Summary of Finding: We did not use the formal bid process for a vendor purchase over the simplified acquisition threshold. We did not ensure that all vendors over the \$25,000 threshold were not suspended or debarred from conducting business with us.

Contact Person Responsible for Corrective Action: Leeanne Koeneman

Contact Phone Number and Email Address: Leeanne.Koeneman@nacs.k12.in.us; 260-637-8768

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will track cumulative expenditures for Vendor by Fiscal Year to ensure that compliance requirements related to procurement thresholds are met. Simultaneously, the Treasurer's Office will provide reports to the Food Service Department on a monthly basis detailing the cumulative expenditures by vendor paid from the Food Service Fund. With thresholds being actively monitored, the Food Service Director will request quotes or bids, as applicable by individual and cumulative thresholds.

Utilizing the procedures outlined above, individual and cumulative expenditures over \$25,000 will be verified to ensure that the potential vendor(s) has not been suspended or debarred. Upon checking the status of vendor(s) at the Food Service Department, the results will be sent to the Treasurer's office for review.

Anticipated Completion Date: June 30, 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/>.