

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MICHIGAN CITY AREA SCHOOLS

LAPORTE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**  
11/12/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lance E. Werner	07-01-21 to 10-26-21
	(Vacant)	10-27-21 to 11-04-21
	Robert Harris	11-05-21 to 05-31-22
	Kevin McGuire	06-01-22 to 09-05-23
	Lisa Rosinko	09-06-23 to 07-12-24
Superintendent of Schools	(Vacant)	07-13-24 to 12-31-24
	Dr. Barbara Eason-Watkins	07-01-21 to 08-02-24
	(Vacant)	08-03-24 to 08-04-24
President of the School Board	Dr. Wendel McCollum	08-05-24 to 12-31-24
	Marty M. Corley	07-01-21 to 12-31-24



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 MICHIGAN CITY AREA SCHOOLS, LAPORTE 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 Michigan City Area 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 October 15, 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.

***Michigan City Area 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

October 15, 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 MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited the Michigan City Area 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 Special Education Cluster (IDEA)***

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

***Qualified Opinion on Twenty-First Century Community Learning Centers***

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

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2021 to June 30, 2023.

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

**Basis for Qualified and Unmodified Opinions**

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

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.027 Special Education Cluster (IDEA), as described in item 2023-003 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 Twenty-First Century Community Learning Centers*

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.287 *Twenty-First Century Community Learning Centers*, as described in item 2023-004 for Cash Management, Program Income, and Reporting. Consequently, we were unable to determine whether the School Corporation complied with those 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 2023-005 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, 2023-006 for Equipment and Real Property Management. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-007. 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 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007, 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 October 15, 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

October 15, 2024

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## 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.

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MICHIGAN CITY AREA 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			FY2022	\$ -	\$ 760,761	\$ -	\$ -
School Breakfast			FY2023	-	-	-	1,034,879
Total - School Breakfast Program				-	760,761	-	1,034,879
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2022	-	2,118,565	-	-
National School Lunch Program			FY 2023	-	-	-	3,070,347
School Snack			FY 2022	-	53,637	-	-
School Snack			FY 2023	-	-	-	71,128
Supply Chain Assistance			FY 2023	-	-	-	238,453
COVID 19 - SNP Emergency Funds			FY 2022	-	140,084	-	-
Commodities			FY 2022	-	355,705	-	-
Commodities			FY 2023	-	-	-	239,029
Total - National School Lunch Program				-	2,667,991	-	3,618,957
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2022	-	440,960	-	-
Summer Food Service Program			FY 2023	-	-	-	108,600
Total - Summer Food Service Program for Children				-	440,960	-	108,600
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY 2022	-	96,906	-	-
Fresh Fruit and Vegetable Program			FY 2023	-	-	-	116,903
Total - Fresh Fruit and Vegetable Program				-	96,906	-	116,903
Total - Child Nutrition Cluster				-	3,966,618	-	4,879,339
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649	FY 2023				
P-EBT Administrative Costs Grants				-	-	-	3,135
Total - Pandemic EBT Administrative Costs				-	-	-	3,135
Total - Department of Agriculture				-	3,966,618	-	4,882,474
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B Regular			H027A180084	-	135	-	-
Special Education Part B Regular			H027A190084	-	158,728	-	-
Special Education Part B Regular			H027A190084	-	998,523	-	-
Special Education Part B Regular			H027X210084	-	11,668	-	-
Total - Special Education Grants to States				-	1,169,054	-	-

MICHIGAN CITY AREA 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Pre-School Grants			23619-036-PN01	-	3,875	-	-
Special Education Pre-School Grants			20619-036-PN01	-	6	-	-
Special Education Pre-School Grants			21619-036-PN01	-	14,601	-	-
Special Education Pre-School Grants			22619-036-PN01	-	47,428	-	-
Total - Special Education Preschool				-	65,910	-	-
Total - Special Education Cluster (IDEA)				-	1,234,964	-	-
Adult Education - Basic Grants to States	Center of Workforce Innovations, Inc.	84.002					
21/22 Adult Education			CWI-20-05	-	89,001	-	129,156
20/21 Adult Education			CWI-20-05	-	2,735	-	-
Total - Adult Education - Basic Grants to States				-	91,736	-	129,156
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
2021/2022 Title I			S010A210014	-	1,104,207	-	1,441,137
2020/2021 Title I			S010A200014	-	1,812,205	-	-
2022/2023 Title I			S010A220014	-	-	-	1,201,743
Total - Title I Grants to Local Educational Agencies				-	2,916,412	-	2,642,880
School Improvement Grants	Indiana Department of Education	84.377					
2020/2021 Title I School Improvement grant			S377A140015	-	25,656	-	-
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
2020/21 Leadership - Perkins			21-0512-A006	-	5,695	-	-
2021/22 Perkins Basic			22-0512-B006	-	224,835	-	275,671
2020/21 Perkins Basic			21-0512-4925	-	146,529	-	-
2022/23 Carl Perkins			23-0512-P006	-	-	-	35,838
Perkins - Covid 19 Assistance			21-0512-C006	-	13,148	-	-
Total - Career and Technical Education -- Basic Grants to States				-	390,207	-	311,509
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
21st CCLC COHORT 8 YR 4			A58-1-21DL-0153	-	158,159	-	-
21st CCLC COHORT 9 YR 3			A58-1-21DL-5176	-	193,076	-	-
21st CCLC COHORT 9 YR 4			A58-1-21DL-5176	-	120,364	-	56,546
21st CCLC COHORT 10 YR 1			A58-2-22DL-0018	-	126,839	-	68,927
Cohort 10 YR 2			A58-2-22DL-0018	-	-	-	95,667
21st CCLC COHORT 11 YR 1			A58-3-23DL-0027	-	-	-	161,896
Total - Twenty-First Century Community Learning Centers				-	598,438	-	383,036

MICHIGAN CITY AREA 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
English Language Acquisition State Grants 6880-TITLE III 6881-TITLE III	Indiana Department of Education	84.365	S365A190014 S365A190014	- -	8,047 7,766	- -	- 1,180
Total - English Language Acquisition State Grants				-	15,813	-	1,180
Supporting Effective Instruction State Grants 2020 Title II 2019 Title II	Indiana Department of Education	84.367	S367A200013 S367A190013	- -	228,603 189,827	- -	73,937 -
Total - Supporting Effective Instruction State Grants				-	418,430	-	73,937
Student Support and Academic Enrichment Program FY 19/20 Title IV Part A FY 20/21 Title IV Part A	Indiana Department of Education	84.424	S424A190015 S424A190015	- -	167,896 66,736	- -	- -
Total - Student Support and Academic Enrichment Program				-	234,632	-	-
COVID-19 - Education Stabilization Fund Elementary & Secondary School Emergency Relief Fund Elementary & Secondary School Emergency Relief Fund American Rescue Plan - ESSER ESSER II	Indiana Department of Education	84.425	S425D200013 5120S425U210013 S425U200013 S425V200013	- - - -	857,851 264,440 10,745 4,225,324	- - - -	47,246 - - 763,393
Total - COVID-19 - Education Stabilization Fund				-	5,358,360	-	810,639
Total - Department of Education				-	11,284,648	-	4,352,337
<u>Department of Health and Human Services</u>							
Medicaid Cluster Medical Assistance Program Medicaid IEP Medicaid MAC	Indiana Family and Social Services Administration Indiana Department of Education	93.778	Medicaid Mac	- -	144,750 113,939	- -	235,244 45,121
Total - Medical Assistance Program				-	258,689	-	280,365
Total - Medicaid Cluster				-	258,689	-	280,365
Total - Department of Health and Human Services				-	258,689	-	280,365
Total federal awards expended				\$ -	\$ 15,509,955	\$ -	\$ 9,515,176

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

MICHIGAN CITY AREA 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.

MICHIGAN CITY AREA 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
	Child Nutrition Cluster	Unmodified
84.287	Special Education Cluster (IDEA) Twenty-First Century Community Learning Centers	Qualified
84.425	COVID-19 - Education Stabilization Fund	Qualified

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2023-001**

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

*Repeat Finding*

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

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

The School Corporation filed its reports as prescribed; however, no 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 identified.

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

- The Child Nutrition Cluster expenditures were understated by \$245,536 and overstated by \$377,539 for fiscal years 2021-2022 and 2022-2023, respectively.
- The Twenty-First Century Community Learning Centers Grant was understated by \$279,567 for 2022-2023.
- Eight other grants had individual errors that resulted in total understatements of expenditures of \$637,373.
- Other errors included incorrect program names, federal assistance listings numbers, and identifying numbers.

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

*Criteria*

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

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

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. . . ."

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

*Cause*

Management of the School Corporation had not 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*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Internal control activities should be designed at various levels to reduce the risks of error and/or fraud of the financial statement. The School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting and closing. A segregation of duties for each of these areas had not been designed or implemented to prevent, or detect and correct, errors. The magnitude of these errors caused a significant delay to audit completion.

*Cash and Investments - Bank Reconcilements*

Internal controls were not properly designed or implemented over bank reconcilements to ensure reconcilements of the record balances to the depository balances and investment balances were completed at least monthly to ensure the accuracy and completeness of financial transactions including the investment activity.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

On June 1, 2021, the School Corporation changed its financial software. With the change in software, the School Corporation had difficulty completing bank reconcilements. As such, at the commencement of the audit, on January 25, 2024, the School Corporation did not have all monthly bank reconcilements completed. The School Corporation was provided additional time to prepare the required monthly reconcilements. Reconcilements for June 30, 2022, and June 30, 2023, were provided for audit on August 19, 2024.

*Receipts*

Internal controls were not properly designed or implemented over receipts to ensure the accuracy, timeliness, and completeness of the ledgers. In addition, a review process was not designed, implemented, or documented for collections received, receipted, and deposited to the bank.

We noted 39 instances out of 154 tested, in which state and local distributions were deposited directly to the School Corporation's bank account as an Electronic Fund Transfers (EFT); however, the EFT was not receipted or recorded in the School Corporation's ledger timely. Delays of up to 177 days were noted between receipt of the distribution and posting to the records.

In addition, we noted 2 instances out of the 3 receipts tested for childcare in which cash collections were not receipted timely. In the first instance, receipts for the School Corporation's childcare and summer camp program were issued for \$25,572 in cash and \$210 in checks for the months of April 2022 through September of 2022. However, the childcare program did not remit the cash or checks collected to the School Corporation until October 5, 2022, when it was receipted by the School Corporation. In the second instance, the childcare program did not remit cash collections of \$16,477 from September through December of 2022 until the end of December of 2022 to the School Corporation.

*Disbursements*

The School Corporation did not have a review process for disbursements made by EFT. EFTs were completed with manual checks, and the manual checks were not included on the School Board dockets for approval. Documentation of the approval process for EFTs for payroll and debt payments could not be provided.

There was also no oversight or review after vendor or payroll disbursements were processed to ensure they were posted accurately and timely to the ledger. For instance, of the \$14,308,574 debt payments made by the School Corporation for the 2022-2023 school year, \$4,552,000 in debt payments were posted as an adjusting entry 180 days after the payment was made by the bank in June of 2022. In addition, the Payroll Clerk enters in pay rates and hour totals; however, there is no documented review by another individual to verify they are calculated and posted properly. Furthermore, there was no documented approval of the payroll claim docket or payroll distribution reports for the School Corporation as a whole by the School Board or Chief Financial Officer during the audit period.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Financial Close and Reporting*

The School Corporation did not implement effective internal controls over financial close and reporting. The School Corporation submitted financial information on the Indiana Gateway for Government Units (Gateway) financial reporting system for the Annual Financial Report (AFR). The AFR was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted. The AFR was used to compile the financial statement for the Indiana State Board of Accounts to audit. The compiled financial statement from the AFR did not materially agree with the records of the School Corporation.

It was later determined, by the Indiana State Board of Accounts, that the School Corporation had not reconciled the depository accounts to the fund balances for the entire audit period and material receipts and disbursements had not been posted to the records or included the financial statements uploaded to Gateway. As a result, the School Corporation hired a consultant to assist in posting the records, reconciling the depository accounts to the fund balances, and preparing new financial statements to upload to Gateway.

*Criteria*

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

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

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

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

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

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

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, Chapter 1)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d). . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

*Cause*

Management of the School Corporation had not established a proper system of internal controls over cash and investments, receipts, disbursements, and financial reporting.

*Effect*

Without a proper system of internal controls in place that operated effectively, material errors in the School Corporation's financial statements may remain undetected. These misstatements, if uncorrected, could mislead end users of the School Corporation's financial statements.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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: Special Education Cluster (IDEA) - Procurement  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
Assistance Listings Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): H027A190084  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-002.

*Condition and Context*

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a non-Federal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. 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.

There were 27 vendors exceeding the small purchase threshold during the audit period. Of those, 5 vendors were selected for testing. For all 5 vendors tested, totaling \$299,889, the School Corporation did not obtain price or rate quotes. Documentation detailing the history of procurement, which must include the reason for the procurement method used, selection of the vendor, and the basis for the price, was not available for audit.

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

*Criteria*

2 CFR 200.303 states in part:

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(Continued)

"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. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

*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.

MICHIGAN CITY AREA 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, procurement procedures for goods and services were not adhered to for vendors that fell within the small purchase threshold.

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 there are adequate and appropriate procurement procedures for goods and services.

*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: Twenty-First Century Community Learning Centers - Cash  
Management, Program Income and Reporting

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

Assistance Listings Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): A58-1-21DL-0153,  
A58-1-21DL-5176,  
A58-2-22DL-0018,  
A58-3-23DL-0027

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, and Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The School Corporation utilized grant funds to operate an After School Care Safe Harbor Program. As part of the programs, the students were charged monthly fees to help cover the related costs. Per the grant guidelines, families cannot be turned away for nonpayment of fees, and any fees collected are to be reinvested into the programs. Reimbursement requests are to deduct the program income received from allowable costs prior to claiming reimbursement.

During the audit period, the School Corporation collected fees for the Before School Care Program and the After School Care Safe Harbor Program in the same manner. Fees collected for both programs were collected and receipted into the After School fund. For the years ended June 30, 2022, and June 30, 2023, the School Corporation receipted a total of \$45,723 and \$41,513, respectively, into the After School fund.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash Management*

The School Corporation submitted 18 reimbursement requests in the audit period. Costs were paid prior to requesting reimbursement as required; however, due to the lack of adequate program income records the reimbursements were not reduced by the program income received.

*Program Income*

Although the School Corporation received approval from the grantor agency to collect program income, the School Corporation did not properly track students' attendance and payments, both if paid and how much paid; therefore, we were unable to determine the amount of program income related to each program. Additionally, the School Corporation did not maintain program income in a separate fund but comingled it with other nongrant funded program revenues. Finally, the School Corporation did not deduct program income from allowable costs prior to claiming reimbursement.

*Reporting*

*Reimbursement Requests*

The School Corporation submitted 18 reimbursement requests in the audit period. Of those, 3 reimbursement requests were selected for testing. Of the 3 reimbursement requests inspected, none were reduced by program income received, and 1 was not properly supported by School Corporation records. The reimbursement was overstated by \$14,700 when compared to the ledger. Based on additional procedures performed, the total requested reimbursements for the audit period were understated by \$32,605 when compared to the ledger.

*Year End Reports*

End of Year reports are to be submitted within 60 days of the contract end date. A total of four End of Year Reports were submitted in the audit period and two were selected for testing. Of the two End of Year reports selected for testing, neither properly included program income received during the year due to inadequate tracking of program income.

The lack of 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). . . ."

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.305(b)(5) states in part: "To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments."

2 CFR 200.307 states in part:

"(a) *General.* Non-Federal entities are encouraged to earn income to defray program costs where appropriate. . . .

(e) *Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

- (1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.
- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in this paragraph (e)) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.
- (3) *Cost sharing or matching.* With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same. . . ."

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."

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 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, program income was not properly documented resulting in noncompliance with the Cash Management, Program Income, and Reporting compliance requirements.

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 by 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 strengthen its policies and procedures to ensure proper tracking of program income to ensure all activity and reports submitted on behalf of the Twenty-First Century Community Learning Centers program funds are accurate.

*Views of Responsible Officials*

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

**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

Assistance Listings Number: 84.425

Federal Award Number and Year (or Other Identifying Number): S425V200013

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

On December 17, 2021, the School Corporation paid all School Corporation employees who had been employed with the School Corporation during the 2020-2021 school year and for 120 days a School Board approved retention bonus. The across-the-board stipends were paid without justification or documentation that provided for additional duties or work performed on which to base the stipends. The total amount of stipends paid, \$822,750, were considered questioned costs.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The lack of internal controls and noncompliance were isolated to the stipend payments 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). . . ."

2 CFR 200.403 states in part:

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

Indiana Department of Education's *ESSER II Frequently Asked Questions (FAQs)* states in part:

"12. Can ESSER II funds be used for staff stipends? . . .

While across the board stipends are not permitted (**as "universal" or "across the board" does not in and of itself demonstrate sufficient documentation**), LEAs may pay staff for COVID-related work that has been documented. Most, if not all, staff likely had extra responsibilities as well as time and effort to respond to the pandemic. ESSER funds can be used to pay staff for that work and LEAs are responsible for documenting (with internal controls) that this work occurred. **This is consistent with guidance on all salary and stipend payments with all federal funds. . . .**"

*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.

MICHIGAN CITY AREA 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, costs were reimbursed that did not have adequate documentation to ensure compliance with the compliance requirement.

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*

Known questioned costs of \$822,750 were identified as detailed in the *Condition and Context*.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure costs are adequately documented.

*Views of Responsible Officials*

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

*Auditor's Response*

Per the Indiana Department of Education's ESSER II Frequently Asked Questions as stated above in the listed "criteria," across the School Board stipends are not permitted and LEAs may pay staff for COVID-related work that has been documented.

We reaffirm our finding and will review the status of the finding during our next audit.

**FINDING 2023-006**

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 Number: 84.425

Federal Award Number and Year (or Other Identifying Number): S425V200013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The School Corporation hired a consultant to compile and provide to them a fixed asset report that contained all inventory and assets purchased that exceeded the School Corporation's capitalization threshold through June 30, 2023. The consultant prepared the report; however, the School Corporation did not have any policies or procedures in place to ensure the listing was complete, nor was there any documentation that differences between the compiled asset report and the School Corporation's equipment records were reviewed and resolved.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Additionally, a property record or capital asset listing would include the following for each asset: 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.

During the audit period, the School Corporation completed an improvement project totaling \$1,738,356 with ESSER funds. This improvement project was not included on the asset listing or physical inventory prepared by the consultant.

In addition, the School Corporation was unable to provide the capital asset deletions during the audit period. Therefore, we could not determine if the disposition of any equipment or real property acquired under federal awards were properly reflected in the property records.

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). . . ."

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."

2 CFR 200.313(e) states in part:

"When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. . . ."

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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, assets purchased with federal dollars, ESSER funds, were not properly added to the School Corporation's asset listing. In addition, assets on the listing did not denote whether federal funds were used to acquire or dispose the asset, nor were any discrepancies in the records reconciled.

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 asset records include all the necessary information, new assets are properly added, and any discrepancies are reconciled.

*Views of Responsible Officials*

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

**FINDING 2023-007**

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425

Federal Award Numbers and Years (or Other Identifying Numbers): 5120S425U210013, S425U200013, S425V200013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-003.

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The School Corporation had not properly designed or implemented a system of internal controls 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. Two of the six reports submitted during the audit period were not supported by the School Corporation's records. The following errors were identified:

- The ESSER II, Year 2 report, which covered the period of July 1, 2021 to June 30, 2022, reported \$4,608,835 in total expenditures. However, the School Corporation's ledger for the same period had total expenditures of \$4,560,160.
- The ESSER III, Year 2 report, which had covered the period of July 1, 2021 to June 30, 2022, reported \$118,103 in total expenditures. However, the School Corporation's ledger for the same period had total expenditures of \$317,536.

The lack of internal controls and noncompliance were isolated to these two reports.

*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 200.302(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."

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 and were not accurate and complete.

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.



408 South Carroll Avenue  
Michigan City, Indiana 46360

***FINDING 2019-004 & FINDING 2021-002***

**Fiscal year in which the finding initially occurred: FY 2017**

**Current Audit Period: July 1, 2021 to June 30, 2023**

**Finding Subject:** Special Education Cluster (IDEA) - Procurement and Suspension and Debarment  
**Summary of Finding:**

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Specifically, the school corporation did not follow its own purchasing policy in regard to procurement methods for small purchases or simplified acquisitions. The corporation did not solicit bids for all purchases that exceeded \$150,000. Recommended that the School Corporation's management establish and implement control procedures to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. This should include soliciting bids for any disbursements charged to a federal fund over the simplified acquisition threshold.

Status of Audit Finding: *Not Corrected*

Response Comments: The special education department will adhere to an internal control process for contracting services. The history of each procurement will be adequately documented, including the rationale for the method of procurement, selection of vendor, and price basis.

Anticipated completion date: 6-1-2024



408 South Carroll Avenue  
Michigan City, Indiana 46360

***FINDING 2021-001***

**Fiscal year in which the finding initially occurred: FY2021**

**Current Audit Period: July 1, 2021 to June 30, 2023**

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

**Summary of Finding:**

Management had not established a system of internal control that would have ensured proper reporting of the SEFA. Recommended that the School Corporation's management establish a formal review of the SEFA to ensure amounts reported are accurate. The School Corporation should establish a documented, secondary review to ensure the amounts reported on the SEFA agree to the supporting federal receipt fund ledger detail. The review should also verify all non-financial data is accurately reported.

**Status of Audit Finding:** Not Corrected

**Response Comments:**

Due to new financial software issues with PowerSchool, and new employee turnover, an adequate internal control process was not completed in the reporting of the SEFA. A process has been implemented for the financial assistant to complete the SEFA on federal grants. The financial assistant and the treasurer will review and sign the report for submission approval.

Anticipated completion date: 6-1-2024



408 South Carroll Avenue  
Michigan City, Indiana 46360

***FINDING 2021-003***

**Fiscal year in which the finding initially occurred: FY2021**

**Current Audit Period: July 1, 2021 to June 30, 2023**

**Finding Subject:** Education Stabilization Fund- Internal Controls Over Reporting

**Summary of Finding:**

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirements. Recommend someone other than the preparer of the report perform a documented, secondary review prior to submission to validate the accuracy and completeness of the data submitted.

**Status of Audit Finding:** Fully Corrected with original corrective action

**Response Comments:**



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408 S. Carroll Ave  
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[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us)

## CORRECTIVE ACTION PLAN

### **FINDING 2023-001**

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

#### **Summary of Finding:**

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

#### **Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

#### **Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219) 873-2000 ext. 8346

#### **Views of Responsible Officials:**

We concur with this finding. Controls have been put into place to ensure the SEFA agrees with the ledger.

#### **Description of Corrective Action Plan:**

We have implemented a system of internal controls to ensure more than one person has reviewed the SEFA data before submitting. Grant files and the General ledger will be used to ensure data ties to the SEFA report. The General ledger will be attached to the SEFA report for Audit purposes.

#### **Anticipated Completion Date:**

Our Anticipated Date of completion to resolve this finding is July 1, 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2023-002***

**Finding Subject:** Financial Transactions and Reporting  
**Summary of Finding:**

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and reporting.

#### *Cash & Investments*

No process in place to ensure monthly bank reconcilements were completed timely.

#### *Receipts*

A review process was not designed, properly implemented or documented for collections, received, receipts and deposited to the bank.

#### *Disbursements*

The School Corporation did not have a review process for disbursements made by Electronic Fund Transfer (EFT), of approval of payroll claim dockets or distribution reports.

#### *Financial Close and Reporting*

School officials uploaded an Annual Financial Report for June 30, 2022 and 2023, even though they had not reconciled the bank as of June 30, 2022 or 2023.

**Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

**Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

**Views of Responsible Officials:**

We concur with this finding. We are implementing a process to ensure all receipts are entered and bank reconciliations are done monthly. We will ensure the bank reconciliations are finalized before the Annual Financial report is submitted. We will ensure to get board approval for the EFT payments and payroll claims.

**Description of Corrective Action Plan:**

We have hired an outside consultant to complete the monthly bank reconciliations and ensure all receipts are entered for the month. Moving forward, we will ensure that all monthly reconciliations are complete before submitting the Annual Financial Report. We are working with our software vendor and outside consultant to develop the proper report to submit to the board for payroll disbursements and EFT payments. As of July 1, 2023, the After-School program is no longer accepting cash payments.

**Anticipated Completion Date:**

We have an anticipated date of completion for this finding of July 1, 2025.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2023-003***

**Finding Subject:** Special Education Cluster (IDEA) - Procurement

#### **Summary of Finding:**

The School Corporation's management had not developed a system of internal controls that would ensure compliance with procurement and suspension and debarment compliance requirement.

#### **Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

#### **Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

#### **Views of Responsible Officials:**

We concur with this finding. We are working on establishing a proper system of internal controls and develop policies and procedures to ensure there are appropriate procurement procedures for goods and services.

#### **Description of Corrective Action Plan:**

We are working on establishing a proper system of internal control and developing policies and procedures to ensure there are appropriate procurement procedures for goods and services. We are working on a checklist for procurement for all federal grants. Moving forward we will ensure required bids and quotes are attached to the claim for payment.

#### **Anticipated Completion Date:**

The Anticipated date of completion for this correction is January 1, 2025.

## CORRECTIVE ACTION PLAN

### FINDING 2023-004

**Finding Subject:** Twenty-First Century Community Learning Centers – Cash Management, Program Income and Reporting.

#### Summary of Finding:

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Cash Management, Program Income and Reporting compliance requirements.

##### *Cash Management*

The school submitted reimbursement requests without taking into considering the program income or reducing the request by the program income earned due to the lack of adequate program income.

##### *Program Income*

Controls had not been designed or implemented adequately to ensure that the proper fees were assessed and that the cash collections remitted were accurate. Additionally, the school-maintained program income in a separate fund and comingled with other non-grant funded program revenues. The unit did not deduct program income from allowable costs prior to claiming reimbursement.

##### *Reporting*

The total requested reimbursements for the audit period were understated by \$32,605 when compared to the ledger. Of the two End of Year reports selected for testing neither properly included program income that was received during the year due to inadequate tracking of program income.

#### Contact Person Responsible for Corrective Action:

Tracey Haas, Deputy Treasurer

#### Contact Phone Number and Email Address:

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

#### Views of Responsible Officials:

We concur with this finding. We are implementing a system of internal controls to strengthen our policies and procedures and ensure the proper tracking of Program Income is reported and submitted accurately for Twenty First Century Learning center grant funds.

#### Description of Corrective Action Plan:

We have reached out to our liaison at the Department of Education to determine if program income should be reported monthly or annually. Management will be working with the Safe Harbor Director to implement a system to ensure separation of the Twenty first Century grants and other funds that are under the Safe Harbor program.

#### Anticipated Completion Date:

The anticipated date of correction for this is January 1, 2025.



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## CORRECTIVE ACTION PLAN

### **FINDING 2023-005**

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

#### **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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Across-the-board stipends were paid without documentation or justification for additional duties or work performed on which to base the stipends.

#### **Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

#### **Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

#### **Views of Responsible Officials:**

We disagree with this finding. We did not offer an across the board stipend with ESSER II. We paid it to employees who had met certain length of employment requirements and effectiveness requirements. The IDOE guidance states that staff *may* be paid extra for added COVID-related work. However, this list is not exhaustive and we believe there are other reasons that allowed us to proceed.

- a. Incentives paid with federal funds must comply with [200.430\(f\)](#). The federal regulations explicitly state that the bonus is allowed for efficient performance, which was our criteria.

#### **Explanation and Reasons for Disagreement:**

The USDOE gave what we did as a recommended best practice and example for others, of addressing staffing shortages and offering premium pay. In regards to Cafeteria workers please see this [research brief](#) released by USDOE regarding pandemic funds (ARP but also other federal pandemic funds, which would include ESSER II)

State and Local Practices for Cafeteria and Custodial Staff •

Waco Independent School District in Texas will give custodians and cafeteria workers up to \$1,000 in bonuses, based on years served with the district. Those who have worked for 10 or more years will receive \$1,000, divided in three payments beginning in December 2022. Those who have worked for five to nine years will get \$750, and those with the district fewer than five years will get \$500. The district expects \$500 in bonuses to go to custodians and cafeteria workers.

- North Carolina is using ESSER funds to help local school nutrition operations across North Carolina recruit and retain needed staff.

ESSER states, any activity authorized by the ESEA of 1965 (Titles I, II, III, IV IC Migrant, ID Neglected and Delinquent, 21st Century Community Learning Centers, and Rural and Low-Income Schools Grant) is allowable. Title II has explicit language about paying teachers and admin (but not cafeteria) more as a recruitment or retention bonus.

## CORRECTIVE ACTION PLAN

### **FINDING 2023-006**

**Finding Subject:** COVID-19 – Education Stabilization Fund – Equipment and Real Property Management

#### **Summary of Finding:**

The School Corporation hired a consultant to compile and provide to them a fixed asset report that was to contain all inventory and assets purchased that exceeded the School Corporation's capitalization threshold through June 30, 2023. The consultant prepared the report; however, the School Corporation did not have any policies or procedures in place to ensure the listing was complete, nor was there any documentation that differences between the compiled asset report and the School Corporation's equipment records were reviewed and resolved.

During the audit period, the School Corporation completed an improvement project totaling \$1,738,356 with ESSER funds. This improvement project was not included on the asset listing or physical inventory prepared by the consultant.

#### **Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

#### **Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

#### **Views of Responsible Officials:**

We concur with this finding. We are implementing a proper system of internal controls and developing policies and procedures to ensure asset records include all the necessary information, new assets are properly added, and any discrepancies are reconciled.

#### **Description of Corrective Action Plan:**

Moving forward we will ensure that are capital assets list is updated as required. We will also ensure that the capital assets list includes the specifics requirements required in regards to federal grants and attach proper documentation.

#### **Anticipated Completion Date:**

The anticipated completion date for this corrective action will be January 1, 2025.

## CORRECTIVE ACTION PLAN

### ***FINDING 2023-007***

**Finding Subject:** COVID-19 – Education Stabilization Fund – Reporting

#### **Summary of Finding:**

The School Corporation had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance for the reporting requirement.

Not all EESER reports submitted by the School Corporation during the audit period were not supported by the School Corporation's records.

#### **Contact Person Responsible for Corrective Action:**

Tracey Haas, Deputy Treasurer

#### **Contact Phone Number and Email Address:**

[thaas@mcas.k12.in.us](mailto:thaas@mcas.k12.in.us) (219)873-2000 ext. 8346

#### **Views of Responsible Officials:**

We concur with this finding. We are implementing a proper system of internal controls and developing policies and procedures to ensure all reports are submitted accurately.

#### **Description of Corrective Action Plan:**

We are implementing a proper system of internal controls and developing policies and procedures to ensure all reports are submitted accurately. Moving forward we will ensure all ledgers are attached to the reports that have been submitted.

#### **Anticipated Completion Date:**

The anticipated date of correction for this finding is January 1, 2025.

## OTHER REPORTS

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