

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WABASH CITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Hough	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Amy Sivley	07-01-21 to 06-30-24
President of the School Board	Rod Kelsheimer Rhonda Hipkind	07-01-21 to 12-31-23 01-01-24 to 06-30-24



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

TO: THE OFFICIALS OF THE WABASH CITY SCHOOLS, WABASH 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 Wabash City Schools (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 12, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Wabash City Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024



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

TO: THE OFFICIALS OF THE WABASH CITY SCHOOLS, WABASH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Wabash City Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified 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 Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023.

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.

Unmodified Opinion on the Other Major Federal Program

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 its other major federal program 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.

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.

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)

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 Child Nutrition Cluster

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

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 Special Education Cluster (IDEA), as described in item 2023-009 for Matching, Level of Effort, Earmarking. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

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

Other Matters

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 items 2023-003, 2023-007, and 2023-008. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, and 2023-010, 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.

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)

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.

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 12, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 12, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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WABASH CITY 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2022	\$ -	\$ 270,213	\$ -	\$ -
School Breakfast Program			FY 2023	-	-	-	229,205
School Breakfast Program							
Total - School Breakfast Program				-	270,213	-	229,205
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY 2022	-	808,058	-	-
School Lunch Program			FY 2023	-	-	-	683,857
Supply Chain Assistance			FY 2023	-	-	-	83,459
Commodities			FY 2022	-	40,326	-	-
Commodities			FY 2023	-	-	-	137,721
Total - National School Lunch Program				-	848,384	-	905,037
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY 2022	-	94,721	-	-
Summer Food Service Program			FY 2023	-	-	-	21,773
Total - Summer Food Service Program for Children				-	94,721	-	21,773
Total - Child Nutrition Cluster				-	1,213,318	-	1,156,015
Total - Department of Agriculture				-	1,213,318	-	1,156,015
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education Cooperative Joint Service FY 2020	Indiana Department of Education	84.027	20611-054-PN01	-	21,234	-	-
Special Education Cooperative Joint Service 611B Grant FY 21			21611-054-PN01	-	278,011	-	16,136
Special Education Cooperative Joint Service FY 2022			22611-054-PN01	-	113,528	-	296,103
Special Education Cooperative Joint Service FY 2023			23611-054-PN01	-	-	-	110,243
Subtotal - Special Education Grants to States					-	412,773	-
COVID-19 - Special Education Grants to States							
ARP Federal 611 Grant FY 2022	Indiana Department of Education	84.027X	22611-054-ARP	-	1,674	-	90,788
Total - Special Education Grants to States				-	414,447	-	513,270

WABASH CITY 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 Preschool 619 Grant FY 2021			21619-054-PN01	-	18,247	-	-
Federal Preschool 619 Grant FY 2022			22619-054-PN01	-	4,660	-	14,354
Special Education Cooperative Joint Service Preschool			23619-054-PN01	-	-	-	7,070
Subtotal - Special Education Preschool Grants				-	22,907	-	21,424
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173X	22619-054-ARP	-	-	-	6,222
Special Education Cooperative Joint Service Preschool				-	-	-	6,222
Total - Special Education Preschool Grants				-	22,907	-	27,646
Total - Special Education Cluster (IDEA)				-	437,354	-	540,916
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant FY 21			S010A190014	-	117,772	-	-
Title I Basic Grant FY 22			S010A210014	2,623	220,426	1,615	89,174
Title I Basic Grant FY 23			S010A200014	-	-	5,032	153,777
Total - Title I Grants to Local Educational Agencies				2,623	338,198	6,647	242,951
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income FY20			S358B200014	-	9,144	-	366
Rural and Low Income FY19			S424A190015	-	-	-	22,269
Rural and Low Income FY21			S358B210014	-	7,503	-	22,107
Total - Rural Education				-	16,647	-	44,742
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A FY 2019			S367A190013	-	4,894	-	5,650
Title II Part A FY 2020			S367A20013-20A	-	42,859	-	-
Title II FY 2021			S367A210013	-	9,279	1,302	21,970
Title II FY 2022			S367A220013	-	-	1,127	3,127
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	57,032	2,429	30,747
Education Innovation and Research (Formerly Investing in Innovation (i3) Fund)	University of Indianapolis	84.411	U411B190018	-	40,612	-	55,714
Total - Education Innovation and Research (Formerly Investing in Innovation (i3) Fund)				-	40,612	-	55,714

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV FY 20			S424A200015	-	15,391	-	597
Title IV FY 21			S424A210015	-	16,704	-	3,937
Title IV FY 22			S424A220015	-	-	163	16,172
Total - Student Support and Academic Enrichment Program				-	32,095	163	20,706
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
CARES Act Education Stabilization FY 2020		84.425D	S425D200013	-	288	-	-
GEER Grant (Cell_		84.425C	S425C200018	-	59,122	-	-
ESSER III Elementary & Secondary Schools		84.425U	S425U200013	-	657,979	-	463,170
CARES Act Education Stabilization Supplement II		84.425D	S425D210013	-	421,047	-	243,051
Total - COVID-19 - Education Stabilization Fund				-	1,138,436	-	706,221
Total - Department of Education				2,623	2,060,374	9,239	1,641,997
<u>Department of Health and Human Services</u>							
CCDF Cluster							
Child Care and Development Block Grant	Indiana Family and Social Services Administration						
CCDF - Preschool Child Care Vouchers		93.575	EX-5496	-	114,697	-	185,995
Total - Child Care and Development Block Grant				-	114,697	-	185,995
Total - CCDF Cluster				-	114,697	-	185,995
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration						
Medicaid Reimbursement		93.778	FY 2022, FY 2023	-	51,680	-	66,197
Total - Medical Assistance Program				-	51,680	-	66,197
Total - Medicaid Cluster				-	51,680	-	66,197
Total - Department of Health and Human Services				-	166,377	-	252,192
Total federal awards expended				\$ 2,623	\$ 3,440,069	\$ 9,239	\$ 3,050,204

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

WABASH CITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Wabash-Miami Area Programs for Exceptional Children

The School Corporation is a member of the Wabash-Miami Area Programs for Exceptional Children (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

WABASH CITY 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	Qualified
	Special Education Cluster (IDEA)	Qualified
84.425	COVID 19 - Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions
Audit Finding: Material Weakness

Condition and Context

There were 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 receipts and payroll disbursements.

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The assistant to the Treasurer posted receipts to the accounting system without a documented oversight, review, or approval process to ensure that all receipt activity was accurately recorded.

Disbursements - Payroll

The School Corporation's process for payroll disbursements was for an employee's immediate supervisor to approve hours worked and for the payroll disbursements in total to be reviewed by the Chief Financial Officer and the School Board. However, it was determined that the internal control was not properly designed and implemented during the audit period, as the review by the Chief Financial Officer and the School Board was only over payroll withholdings, not gross pay. The School Corporation has properly implemented an internal control over payroll disbursements in 2024.

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. . . ."

Cause

Management of the School Corporation had not established a system of internal controls that would have ensured proper approval and recording of receipts and payroll disbursements.

Effect

The failure to establish an effective system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-002

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

Condition and Context

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

The School Corporation had not properly designed and implemented internal controls over the federal award information entered in 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). The Treasurer prepared and submitted the SEFA without a documented oversight, review, or approval process to prevent, or detect and correct, errors on the SEFA prior to submission.

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

- The Child Care and Development Block Grant expenditures were overstated by \$785,440 and \$481,017 in fiscal years 2021-2022 and 2022-2023, respectively.
- The National School Lunch Program expenditures were understated by \$12,609 and \$155,380 in 2021-2022 and 2022-2023, respectively.
- The Special Education Grants to States expenditures were overstated by \$10,790 and \$19,229 in 2021-2022 and 2022-2023, respectively.
- The COVID-19 - Special Education Grants to States expenditures were understated by \$32,371 in 2022-2023.
- The COVID-19 - Education Stabilization Fund expenditures were understated by \$12,930 in 2022-2023.
- The Medical Assistance Program expenditures were understated by \$19,603 and \$25,989 in 2021-2022 and 2022-2023, respectively.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Criteria

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](#)."

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.
- (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.

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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

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

Cause

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

Effect

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

Views of Responsible Officials

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

For the Child Nutrition Cluster, the reimbursement for meals served is not based on costs; it is determined solely by applying the applicable meals rates formula. However, the School Corporation can use its entire reimbursement payment for any combination of allowable operating and administrative costs. All expenditures from the reimbursement payment must also be reasonable and allocable. The purchase of capital expenditures, those expenditures which are over \$5,000 or more for an item that is to be used for general purposes for multiple years, must have approval by the Indiana Department of Education (IDOE) prior to purchase.

In fiscal year 2022-2023, the School Corporation purchased two pieces of equipment, each over \$5,000, without approval from the IDOE. The first piece of equipment was a liftgate in the amount of \$6,906, and the second piece of equipment was a vehicle in the amount of \$7,500. The total amount of \$14,406 was considered questioned costs.

In addition, the School Corporation did not have an allowable costs policy outlining the School Corporation's processes and policies with regards to costs charged to federal grants.

The lack of effective 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). . . ."

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.439(b) states in part:

"The following rule of allowability must apply to equipment and other capital expenditures: . . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

2 CFR 200.302(b) states in part:

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

- (7) Written procedures for determining the allowability of costs in accordance with subpart E of this part and the terms and conditions of the Federal award."

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 such, equipment was purchased without prior approval from the IDOE.

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

Questioned costs in the amount of \$14,406 were identified as noted 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 that equipment purchased over \$5,000 is approved by the IDOE prior to purchase.

Views of Responsible Officials

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Procurement

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.

Fifteen purchases that fell within the small purchases threshold were identified. Three of the purchases were selected for testing. For one of the purchases tested, totaling \$55,285, the School Corporation was unable to provide supporting documentation that an adequate number of quotes were obtained from qualified sources.

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

Suspension and Debarment

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation disclosed there were no policies or procedures in place to verify if vendors were suspended or debarred or otherwise excluded from participation in federal awards. In fiscal year 2021-2022, one covered transaction, totaling \$55,285, with one vendor was identified. In 2022-2023, four covered transactions, totaling \$130,257, with two vendors were identified. All five covered transactions were selected for testing. For the three vendors, the School Corporation did not verify the vendors' suspension and debarment status prior to payment.

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 200.318 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.

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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

Cause

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

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, goods that fell within the small purchase threshold were not properly procured, and vendors to whom payments equal to or in excess of \$25,000 were made were not verified to be not suspended, debarred, or otherwise excluded.

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.

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 appropriate procurement procedures for goods and services and contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Views of Responsible Officials

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

FINDING 2023-005

Subject: Child Nutrition Cluster - Special Tests and Provisions - Non-Profit School Food Service Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2022, FY 2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Non-Profit School Food Service Accounts
Audit Finding: Material Weakness

Condition and Context

All revenues and expenditures of the non-profit school food service account are to be accounted for in accordance with state and federal requirements. As such separate accounting is to be made for the school food service, federal reimbursements are to be correctly credited to the food service account and transfers out of the school food service account are to be for allowable costs of the school food service.

The School Corporation did not have a process in place to ensure that submitted reimbursements were received, that reimbursements received were credited to the food service account, or that transfers out of the fund were for allowable costs of the food service.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls, which would include appropriate segregation of duties, 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2023-006

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Period of Performance

Federal Agency: Department of Education

Federal Program: Special Education Grants to States, COVID-19 - Special Education Grants to States

Assistance Listings Numbers: 84.027, 84.027X

Federal Award Numbers and Years (or Other Identifying Numbers): 20611-054-PN01, 21611-054-PN01,
22611-054-ARP

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure payroll paid from the special education grant was allowable, in conformance with the cost principles, and within the period of performance.

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not have any policies or procedures related to payroll disbursements from the special education grant funds. A detailed report of payroll disbursements was paid from the grant funds without evidence of review or approval by a knowledgeable person to ensure allowability, conformance with cost principles and payment within the grant award beginning and ending dates.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

Without the proper 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-007

Subject: Special Education Cluster (IDEA) - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Special Education Grants to States
Assistance Listings Number: 84.027X
Federal Award Number and Year (or Other Identifying Number): 22611-054-ARP
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

Upon inquiry of the School Corporation in order to review the procedures in place to ensure equipment is properly added to the asset listing, the School Corporation disclosed there were no policies or procedures in place to ensure assets were added. One piece of equipment in the amount of \$75,387 purchased with special education funds was identified. The piece of equipment was selected for testing. Although the piece of equipment was properly added to the asset listing, the listing did not include all the required information. The missing information was as follows: the source of funding for the property (including the FAIN), who holds title, 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.

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:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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. . . ."

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 controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal control, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, asset records did not include all of the required information.

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 required information.

Views of Responsible Officials

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

FINDING 2023-008

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Program: COVID-19 - Special Education Grants to States
Assistance Listings Number: 84.027X
Federal Award Number and Year (or Other Identifying Number): 22611-054-ARP
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Procurement

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.

The School Corporation did not have a procurement policy that complied with the procurement standards. In addition, one purchase, totaling \$75,387, was identified that fell within the small purchases threshold. The purchase was selected for testing. The School Corporation did not adequately document the history of the procurement, which would have included an awarded contract.

Suspension and Debarment

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

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation disclosed there were no policies or procedures in place to verify if vendors were suspended or debarred or otherwise excluded from participation in federal awards. One covered transaction, totaling \$75,387, was identified and selected for testing. The School Corporation did not verify the vendor's suspension and debarment status prior to payment.

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:

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

A proper system of internal controls was not designed and implemented 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, goods that fell within the small purchase threshold were not properly procured and vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions 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 system of internal controls and develop policies and procedures to ensure the history of the procurement is maintained for goods within the small purchase threshold and ensure contractors and subrecipients, as appropriate are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Views of Responsible Officials

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

FINDING 2023-009

Subject: Special Education Cluster (IDEA) - Earmarking

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 20611-054-PN01, 21611-054-PN01,
21619-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation is a member of the Wabash Miami Area Programs for Exceptional Children (Cooperative). During fiscal years 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school corporation, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for nonpublic school students with disabilities was met for each member school corporation. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

The Non-Public Proportionate Share expenditures for the 20611-054-PN01, 21611-054-PN01, and 21619-054-PN01 grant awards could not be verified for the individual member school corporations. The nonpublic school share funds for all member schools were comingled and the aggregate amount of expenditures was then allocated to the member school corporations on a percentage basis. These allocations were the amounts reported to the IDOE. As such, we were unable to identify which expenditures were for each school in order to verify the minimum amount per the grant award was expended and properly reported to the IDOE as required.

The lack of internal controls and noncompliance were isolated to the 20611-054-PN01, 21611-054-PN01, and 21619-054-PN01 grant awards.

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: . . .

(g) Be adequately documented. . . ."

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Cause

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, it could not be determined if each school spent their required earmarking dollars.

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 Non-Public Proportionate Share funds are appropriately allocated to the member school based on expenses charged directly on behalf of the member school corporations. Supporting documentation for these expenses should be retained for audit.

Views of Responsible Officials

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

FINDING 2023-010

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

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425C, 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D210013,
S425U200013

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

WABASH CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure payroll paid from the COVID-19 - Education Stabilization Fund grant was allowable, in conformance with the cost principles, and within the period of performance.

The School Corporation did not have any policies or procedures related to payroll disbursements from the grant funds. A detailed report of payroll disbursements was paid from the grant funds without evidence of review and approval by a knowledgeable person to ensure allowability, conformance with cost principles and payment within the grant award beginning and ending dates.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

Without the proper 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2020-2021

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana
Department of Education

Contact Person Responsible for Corrective Action: Matt Stone, CFO/COO

Contact Phone: 260-563-2151

Status of Audit Finding:

The finding was corrected in 2022-23 and we now have a policy where both the Cafeteria Manager and Food Service Director check and sign off on eligibility



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2020-2021

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana
Department of Education

Contact Person Responsible for Corrective Action: Matt Stone, CF0/COO

Contact Phone: 260-563-2151

Status of Audit Finding:

The finding was corrected in 2022-23 and we now have a policy where both the Cafeteria Manager and Food Service Director check and agree on the number of meals claimed and both sign off.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2020-2021

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana

Department of Education

Contact Person Responsible for Corrective Action: Matt Stone, CFO/COO

Contact Phone: 260-363-2131

Status of Audit Finding:

The finding was corrected in 2022-23 and we now have a policy where both the Food Service Director completes the paid lunch equity calculation and ensures its accuracy. The Food Service Director also gets meal prices board approved each year.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-004

Fiscal year in which the finding initially occurred: 2020-2021

Pass-through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana
Department of Education

Contact Person Responsible for Corrective Action: Matt Stone, CFO/Coo

Contact Phone: 260-563-2151

Status of Audit Finding:

The finding was corrected in 2022-23 and we now have a Data Coordinator who does our reports for the IDOE. The Data Coordinator has all reports signed off by the Superintendent and CFO/COO.



CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding: There were 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 receipts and payroll disbursements.

Receipts

The School Corporation had not separated incompatible activities related to receipts. The assistant to the Corporation Treasurer posted receipts to the system without a documented oversight, review, or approval process to ensure that all receipt activity was accurately recorded.

Payroll Disbursements

The School Corporation designed an internal control procedure over payroll disbursements involving the review of the payroll disbursements by Chief Financial Officer and the School Board was not properly implemented during the audit period.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

On a monthly basis, Corporation Treasure/Payroll coordinator will print receipt postings and payroll disbursements to be reviewed, verified and signed off by Superintendent/CFO.

Anticipated Completion Date:

Will begin immediately; March 2024



FINDING 2023-002

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

Summary of Finding: The School Corporation is required to file financial reports not later than sixty days after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation had not properly designed and implemented internal controls over the federal award information entered in 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). The Corporation Treasurer prepared and submitted the SEFA; however, there was not documented evidence of a review or approval process to prevent, or detect and correct, errors on the SEFA prior to submission.

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

1. The Child Care and Development Block Grant expenditures were overstated by \$785,440 and \$481,017 in fiscal years 2021-2022 and 2022-2023, respectively. Due to including a program that was received as a beneficiary relationship and not as a subrecipient.
2. The National School Lunch Program expenditures were understated by \$12,609 and \$155,380 in fiscal years 2021-2022 and 2022-2023, respectively.
3. The Special Education Grants to States expenditures were overstated by \$10,790 and \$19,229 in fiscal years 2021-2022 and 2022-2023, respectively.
4. The COVID-19- Special Education Grants to States expenditures were understated by \$32,371 in fiscal year 2022-2023.
5. The COVID-19- Education Stabilization Fund expenditures were understated by \$12,930 in fiscal year 2022-2023.
6. The Medicaid Assistance program expenditures were understated by \$19,603 and \$25,989 in fiscal years 2021-2022 and 2022-2023, respectively.
7. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us



Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

District will create processes and procedures for controls in regards to grant dollar expenditures and reporting of these funds. Staff will be trained on the process and procedures to implement these controls.

Anticipated Completion Date:

To be completed by July 1, 2024



FINDING 2023-003

Finding Subject: Child Nutrition Cluster - Allowable Activities and Allowable Costs

Summary of Finding: The School Corporation had not properly designed or implemented a system of internal control, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting noncompliance related to allowable activities and allowable costs.

The School Corporation purchased two pieces of equipment that were over \$5,000 each in Fiscal Year 2023 without approval from the Federal awarding agency or pass-through entity. The first piece of equipment was a liftgate in the amount of \$6,906, and the second piece of equipment was a vehicle in the amount of \$7,500 for a combined total of \$14,406.

The financial management system of each non-federal entity must provide written procedures for determining allowability of costs in accordance with the federal regulations and the terms and conditions of the Federal Award. The policy should provide clear guidance as to what costs constitute appropriate direct and indirect charges to federal awards as well as provide for consistency in charging practices across the School Corporation.

The School Corporation did not have an allowable costs policy outlining the School Corporation's processes and policies with regards to costs charged to federal grants.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Retrain Food Service Director and Assistant Food Service Director on the process for purchasing equipment. The district will also develop and pass an Allowable Costs Policy.

Anticipated Completion Date:

To be completed by July 1, 2024



FINDING 2023-004

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

Summary of Finding: The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance for Procurement and Suspension and Debarment. For covered transactions, the School Corporation is required to verify that the person with whom they wish to do business with is not excluded or disqualified.

In Fiscal Year 2022, there was one vendor where the School Corporation had one covered transaction in the amount of \$55,285, and in Fiscal Year 2023, there were two vendors where the School Corporation had four covered transactions in the amount of \$130,257. During testing and inquiry of the School Corporation, it was determined that for all three vendors who had a total of five covered transactions in the amount of \$185,542 during the audit period, the School Corporation did not verify if they were excluded or disqualified prior to entering into a covered transaction.

In Fiscal Year 2022, the School Corporation purchased a box truck in the amount of \$55,285; however, the School Corporation did not award a contract to the vendor per Indiana Code and the School Corporation was unable to provide supporting documentation to support that three quotes were obtained prior to purchasing the box truck.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Create internal controls (using either SAMS website, certification from vendor, or clause/condition in contract) to ensure that vendors have been vetted and have not been suspended or debarred. Also develop processes to ensure that contracts for purchases over \$50,000 are approved by the School Board.

Anticipated Completion Date:

To begin immediately, March 2024



FINDING 2023-005

Finding Subject: Child Nutrition Cluster - Special Tests & Provisions: School Food Service Accounts

Summary of Finding: The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance for Special Tests & Provisions: School Food Service Accounts.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

On a monthly basis, Corporation Treasure will print receipt postings to be reviewed, verified and signed off by Superintendent/CFO.

Anticipated Completion Date:

To begin immediately, March 2024



FINDING 2023-006

Finding Subject: Special Education Cluster - Activities Allowed, Allowable Costs/Cost Principles, Period of Performance

Summary of Finding: An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation did not have internal controls in place over payroll disbursements. A detailed report of payroll disbursements was paid without evidence of review and approval by a knowledgeable person.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Develop process and procedures for verifying disbursements from grant funds. On a monthly basis, Corporation Treasure will print expenditure report from federal grant funds to be reviewed, verified and signed off by Superintendent/CFO.

Anticipated Completion Date:

To begin immediately, March 2024



FINDING 2023-007

Finding Subject: Special Education Cluster - Equipment and Real Property Management

Summary of Finding: The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. A property record or capital asset listing which would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and use and condition of the property is to be maintained for assets purchased that exceed the School Corporation's capitalization threshold.

The School Corporation purchased on piece of equipment in the amount of \$75,387 with Special Education Funds. The listing did not include all the required elements for the one piece of equipment purchased. The required elements are the 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.

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

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Develop processes and procedures to ensure that purchases made with federal dollars are correctly recorded on capital asset ledger.

Anticipated Completion Date:

To begin immediately, March 2024



FINDING 2023-008

Finding Subject: Special Education Cluster - Procurement and Suspension and Debarment

Summary of Finding: An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

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.

The School Corporation had not designed or implemented a procurement policy for the purchases in the audit period. In addition, the school corporation did not award a contract for a purchase of \$75,387.

Suspension and Debarment

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

The School Corporation had not designed or implemented internal controls, policies, or procedures to ensure that vendors were not suspended or debarred prior to entering into a covered transaction. One covered transaction that equaled or exceeded \$25,000 was identified and selected for testing. Transactions to the vendor totaled \$75,387; the School Corporation did not verify the vendor's suspension and debarment status prior to payment.

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

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us



Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Create internal controls (using either SAMS website, certification from vendor, or clause/condition in contract) to ensure that vendors have been vetted and have not been suspended or debarred. Also develop processes to ensure that contracts for purchases over \$50,000 are approved by the School Board.

Anticipated Completion Date:

To begin immediately, March 2024



FINDING 2023-009

Finding Subject: Special Education Cluster - Earmarking

Summary of Finding: The School Corporation is a member of the Wabash Miami Area Programs for Exceptional Children (Cooperative). During fiscal year 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for non-public school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

The Non-Public Proportionate Share expenditures for the 20611-054-PN01, 20619-054-PN01, 21611-054-PN01 and 21619-054-PN01 grant awards could not be verified for the individual member schools. The non-public school share funds for all member schools were comingled and the aggregate amount of expenditures was then allocated to the member schools on a percentage basis. These allocations were the amounts reported to IDOE. As such, we were unable to identify which expenditures were for each school in order to verify the minimum amount per the grant award was expended and properly reported to IDOE as required.

The lack of internal controls and noncompliance were isolated to the 20611-054-PN01, 20619-054-PN01, 21611-054-PN01 and 21619-054-PN01 grant awards.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

The district will collaborate with the SPED co-op to implement controls to ensure compliance with earmarking requirements.

Anticipated Completion Date:

To be completed by July 2024



FINDING 2023-010

Finding Subject: ESSER (Education Stabilization Fund) – Allowable Activities, Allowable Costs/Cost Principles Federal Programs: Education Stabilization Fund

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

The School Corporation did not have internal controls in place over payroll disbursements. A detailed report of payroll disbursements paid without evidence of review and approval by a knowledgeable person.

Contact Person Responsible for Corrective Action: Amy K. Sivley

Contact Phone Number and Email Address: 260-563-2151; sivleya@apaches.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

n/a

Description of Corrective Action Plan:

Develop process and procedures for verifying payroll disbursements from grant funds. On a monthly basis, Payroll coordinator will print payroll disbursements from federal grant funds to be reviewed, verified and signed off by Superintendent/CFO.

Anticipated Completion Date:

To begin immediately, March 2024

OTHER REPORTS

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