

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**

03/07/2024



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                             | <u>Term</u>  |
|----------------------------------|---|--|
| Treasurer                        | Meghan Damron                               | 07-01-21 to 06-30-24   |
| Superintendent<br>of Schools     | Nicholas G. Brown                           | 07-01-21 to 06-30-24   |
| President of the<br>School Board | Linda Jonaitis<br>Mark Lucas<br>Judy Dunlap | 07-01-21 to 12-31-21<br>01-01-22 to 12-31-22<br>01-01-23 to 06-30-24 |



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

TO: THE OFFICIALS OF THE MERRILLVILLE COMMUNITY  
SCHOOL CORPORATION, LAKE 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 Merrillville Community School Corporation (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 February 21, 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 item 2023-001, that we consider to be material weaknesses.

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

***Report on Compliance and Other Matters***

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

***Merrillville Community School Corporation's 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

February 21, 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 MERRILLVILLE COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

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

***Qualified Opinions***

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

***Qualified Opinion on Special Education Cluster (IDEA)***

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

***Qualified Opinion on COVID-19 - Education Stabilization Fund***

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

**Basis for Qualified Opinions**

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

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 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 2023-002 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.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-003 and 2023-004, for Special Tests and Provisions - Wage Rate Requirements and Equipment and Real Property Management, respectively. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

**Responsibilities of Management for Compliance**

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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)

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

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

#### **Other Matters**

*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 2023-002, 2023-003, and 2023-004, 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 February 21, 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

February 21, 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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2022 and 2023

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-22 | Total<br>Federal Awards<br>Expended<br>06-30-22 | Passed Through<br>to Subrecipient<br>06-30-23 | Total<br>Federal Awards<br>Expended<br>06-30-23 |
|---|-------------------------------------|----------------------------------|--|---|---|---|---|
| <b>Department of Agriculture</b>                                    |                                     |                                  |  |   |   |   |   |
| Child Nutrition Cluster   |                                     |                                  |  |   |   |   |   |
| School Breakfast Program  | Indiana Department of Education     | 10.553                           |  |   |   |   |   |
| School Breakfast program  |                                     |                                  | FY2022   | \$ -  | \$ 1,023,053                                    | \$ -  | \$ -  |
| School Breakfast program  |                                     |                                  | FY2023   | -   | -   | -   | 1,121,676                                       |
|   |                                     |                                  |  | <u>-</u>                                      | <u>1,023,053</u>                                | <u>-</u>                                      | <u>1,121,676</u>                                |
| Total - School Breakfast Program                                    |                                     |                                  |  | <u>-</u>                                      | <u>1,023,053</u>                                | <u>-</u>                                      | <u>1,121,676</u>                                |
| National School Lunch Program                                       |                                     |                                  |  |   |   |   |   |
| National School Lunch Program (And Snack)                           | Indiana Department of Education     | 10.555                           |  |   |   |   |   |
| National School Lunch Program (And Snack)                           |                                     |                                  | FY2022   | -   | 2,596,464                                       | -   | -   |
| National School Lunch Program (And Snack)                           |                                     |                                  | FY2023   | -   | -   | -   | 2,848,749                                       |
| Supply Chain Assistance   |                                     |                                  | FY2023   | -   | -   | -   | 279,630   |
| Commodities   |                                     |                                  | FY2022; FY2023   | -   | 406,936   | -   | 305,910   |
|   |                                     |                                  |  | <u>-</u>                                      | <u>406,936</u>                                  | <u>-</u>                                      | <u>305,910</u>                                  |
| Subtotal - National School Lunch Program                            |                                     |                                  |  | <u>-</u>                                      | <u>3,003,400</u>                                | <u>-</u>                                      | <u>3,434,289</u>                                |
| COVID-19 - National School Lunch Program                            |                                     |                                  |  |   |   |   |   |
| COVID-19 - SNP Emergency Funds                                      | Indiana Department of Education     | 10.555                           |  |   |   |   |   |
|   |                                     |                                  | FY2022   | -   | 91,549  | -   | -   |
|   |                                     |                                  |  | <u>-</u>                                      | <u>91,549</u>                                   | <u>-</u>                                      | <u>-</u>  |
| Total - National School Lunch Program                               |                                     |                                  |  | <u>-</u>                                      | <u>3,094,949</u>                                | <u>-</u>                                      | <u>3,434,289</u>                                |
| Summer Food Service Program for Children                            |                                     |                                  |  |   |   |   |   |
| Summer Food Service program for Children                            | Indiana Department of Education     | 10.559                           |  |   |   |   |   |
| Summer Food Service program for Children                            |                                     |                                  | FY2022   | -   | 34,652  | -   | -   |
| Summer Food Service program for Children                            |                                     |                                  | FY2023   | -   | -   | -   | 122,031   |
|   |                                     |                                  |  | <u>-</u>                                      | <u>-</u>  | <u>-</u>                                      | <u>122,031</u>                                  |
| Total - Summer Food Service Program for Children                    |                                     |                                  |  | <u>-</u>                                      | <u>34,652</u>                                   | <u>-</u>                                      | <u>122,031</u>                                  |
| Total - Child Nutrition Cluster                                     |                                     |                                  |  | <u>-</u>                                      | <u>4,152,654</u>                                | <u>-</u>                                      | <u>4,677,996</u>                                |
| Child and Adult Care Food Program                                   |                                     |                                  |  |   |   |   |   |
| Child and Adult Care Food Program                                   | Indiana Department of Education     | 10.558                           |  |   |   |   |   |
| Child and Adult Care Food Program                                   |                                     |                                  | FY2022   | -   | 9,074   | -   | -   |
| Child and Adult Care Food Program                                   |                                     |                                  | FY2023   | -   | -   | -   | 9,960   |
|   |                                     |                                  |  | <u>-</u>                                      | <u>-</u>  | <u>-</u>                                      | <u>9,960</u>                                    |
| Total - Child and Adult Care Food Program                           |                                     |                                  |  | <u>-</u>                                      | <u>9,074</u>                                    | <u>-</u>                                      | <u>9,960</u>                                    |
| Child Nutrition Discretionary Grants Limited Availability           |                                     |                                  |  |   |   |   |   |
| CNP School Meals Equipment  | Indiana Department of Education     | 10.579                           |  |   |   |   |   |
|   |                                     |                                  | 63215  | -   | -   | -   | 28,309  |
|   |                                     |                                  |  | <u>-</u>                                      | <u>-</u>  | <u>-</u>                                      | <u>28,309</u>                                   |
| Pandemic EBT Administrative Costs                                   |                                     |                                  |  |   |   |   |   |
| P-EBT ADMINISTRATIVE COSTS GRANTS                                   | Indiana Department of Education     | 10.649                           |  |   |   |   |   |
| P-EBT ADMINISTRATIVE COSTS GRANTS                                   |                                     |                                  | FY2022   | -   | 3,063   | -   | -   |
| P-EBT ADMINISTRATIVE COSTS GRANTS                                   |                                     |                                  | FY2023   | -   | -   | -   | 3,135   |
|   |                                     |                                  |  | <u>-</u>                                      | <u>-</u>  | <u>-</u>                                      | <u>3,135</u>                                    |
| Total - Pandemic EBT Administrative Costs                           |                                     |                                  |  | <u>-</u>                                      | <u>3,063</u>                                    | <u>-</u>                                      | <u>3,135</u>                                    |
| Total - Department of Agriculture                                   |                                     |                                  |  | <u>-</u>                                      | <u>4,164,791</u>                                | <u>-</u>                                      | <u>4,719,400</u>                                |

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2022 and 2023

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-22 | Total<br>Federal Awards<br>Expended<br>06-30-22 | Passed Through<br>to Subrecipient<br>06-30-23 | Total<br>Federal Awards<br>Expended<br>06-30-23 |
|---|-------------------------------------|----------------------------------|--|---|---|---|---|
| <b>Department of Education</b>                                      |                                     |                                  |  |   |   |   |   |
| Special Education Cluster (IDEA)                                    |                                     |                                  |  |   |   |   |   |
| Special Education Grants to States                                  |                                     |                                  |  |   |   |   |   |
|   | Indiana Department of Education     | 84.027                           |  |   |   |   |   |
| IDEA Part B Section 611   |                                     |                                  | 20611-043-PN01   | -   | 11,438  | -   | -   |
| IDEA Part B Section 611   |                                     |                                  | 21611-043-PN01   | -   | 303,743   | -   | -   |
| IDEA Part B Section 611   |                                     |                                  | 22611-043-PN01   | -   | 1,226,149                                       | -   | 235,658   |
| IDEA Part B Section 611   |                                     |                                  | 23611-043-PN01   | -   | -   | -   | 1,033,319                                       |
| IDEA Consolidated Budget for CEIS                                   |                                     |                                  | 21611-043-CEIS   | -   | 94,012  | -   | -   |
| Subtotal - Special Education Grants to States                       |                                     |                                  |  | -   | 1,635,342                                       | -   | 1,268,977                                       |
| COVID-19 - Special Education Grants to States                       |                                     |                                  |  |   |   |   |   |
|   | Indiana Department of Education     | 84.027X                          |  |   |   |   |   |
| IDEA ARP 611  |                                     |                                  | 22611-043-ARP  | -   | 141,673   | -   | 188,935   |
| Total - Special Education Grants to States                          |                                     |                                  |  | -   | 1,777,015                                       | -   | 1,457,912                                       |
| Special Education Preschool Grants                                  |                                     |                                  |  |   |   |   |   |
|   | Indiana Department of Education     | 84.173                           |  |   |   |   |   |
| IDEA Part B Section 619   |                                     |                                  | 21619-43-PN01  | -   | 12,129  | -   | -   |
| IDEA Part B Section 619   |                                     |                                  | 22619-43-PN01  | -   | 28,327  | -   | 12,786  |
| IDEA Part B Section 619   |                                     |                                  | 23619-043-PN01   | -   | -   | -   | 31,999  |
| Subtotal - Special Education-Preschool Grants                       |                                     |                                  |  | -   | 40,456  | -   | 44,785  |
| COVID-19 - Special Education Preschool Grants                       |                                     |                                  |  |   |   |   |   |
|   | Indiana Department of Education     | 84.173X                          |  |   |   |   |   |
| IDEA ARP 619  |                                     |                                  | 22619-43-ARP   | -   | 10,253  | -   | 17,825  |
| Total - Special Education-Preschool Grants                          |                                     |                                  |  | -   | 50,709  | -   | 62,610  |
| Total - Special Education Cluster (IDEA)                            |                                     |                                  |  | -   | 1,827,724                                       | -   | 1,520,522                                       |
| Title I Grants to Local Educational Agencies                        |                                     |                                  |  |   |   |   |   |
|   | Indiana Department of Education     | 84.010                           |  |   |   |   |   |
| Title I Part A  |                                     |                                  | S010A190014  | -   | 16,533  | -   | -   |
| Title I Part A  |                                     |                                  | S010A200014  | -   | 1,549,569                                       | -   | -   |
| Title I Part A  |                                     |                                  | S010A210014  | -   | 187,869   | -   | 1,427,450                                       |
| Title I Part A  |                                     |                                  | S010A220014  | -   | -   | -   | 243,244   |
| Title I Part D  |                                     |                                  | S010A190014  | -   | 1,208   | -   | -   |
| Title I Part D  |                                     |                                  | S010A200014  | -   | 147,106   | -   | -   |
| Title I Part D  |                                     |                                  | S010A210014  | -   | 87,909  | -   | -   |
| Title I Part D  |                                     |                                  | S010A220014  | -   | -   | -   | 59,915  |
| Total - Title I Grants to Local Educational Agencies                |                                     |                                  |  | -   | 1,990,194                                       | -   | 1,730,609                                       |

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2022 and 2023

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                   | Pass-Through Entity or Direct Grant  | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-22 | Total<br>Federal Awards<br>Expended<br>06-30-22 | Passed Through<br>to Subrecipient<br>06-30-23 | Total<br>Federal Awards<br>Expended<br>06-30-23 |
|---|--------------------------------------|----------------------------------|--|---|---|---|---|
| Career and Technical Education - Basic Grants to States                               | Indiana Governor's Workforce Cabinet | 84.048                           |  |   |   |   |   |
| Perkins Assessment Grant  |                                      |                                  | 21-0512-A03B   | -   | 580   | -   | -   |
| Perkins Basic Grant   |                                      |                                  | 21-0512-4600   | -   | 62,809  | -   | -   |
| Carl D. Perkins Title V Perkins CTE/Perkins<br>CTE COVID-19 Assistance Grant          |                                      |                                  | 21-0512-C03B   | -   | 19,018  | -   | -   |
| Carl D. Perkins Title V Perkins Leadership  |                                      |                                  | 22-0512-A03B   | -   | -   | -   | 2,500   |
| Perkins Basic Grant   |                                      |                                  | 22-0512-B03B   | -   | 94,404  | -   | 70,651  |
| Perkins Basic Grant   |                                      |                                  | 23-0512-P03B   | -   | -   | -   | 83,955  |
| <b>Total - Career and Technical Education - Basic Grants to States</b>                |                                      |                                  |  | <b>-</b>                                      | <b>176,811</b>                                  | <b>-</b>                                      | <b>157,106</b>                                  |
| English Language Acquisition State Grants   | Indiana Department of Education      | 84.365                           |  |   |   |   |   |
| Title III Part A English Language Acquisition State Grant                             |                                      |                                  | S365A190014  | -   | 29,146  | -   | -   |
| Title III Part A English Language Acquisition State Grant                             |                                      |                                  | S365A200014  | -   | 11,855  | -   | 18,045  |
| <b>Total - English Language Acquisition State Grants</b>                              |                                      |                                  |  | <b>-</b>                                      | <b>41,001</b>                                   | <b>-</b>                                      | <b>18,045</b>                                   |
| Supporting Effective Instruction State Grants   | Indiana Department of Education      | 84.367                           |  |   |   |   |   |
| Title II Part A   |                                      |                                  | S367A190013  | -   | 266,614   | -   | -   |
| Title II Part A   |                                      |                                  | S367A20013-20A   | -   | 81,658  | -   | 179,303   |
| Title II Part A   |                                      |                                  | S367A210013  | -   | -   | -   | 143,541   |
| <b>Total - Supporting Effective Instruction State Grants</b>                          |                                      |                                  |  | <b>-</b>                                      | <b>348,272</b>                                  | <b>-</b>                                      | <b>322,844</b>                                  |
| Student Support and Academic Enrichment Program                                       | Indiana Department of Education      | 84.424                           |  |   |   |   |   |
| Title IV Part A   |                                      |                                  | S424A190015  | -   | 103,156   | -   | -   |
| Title IV Tutoring Fellowship Innovation Grant   |                                      |                                  | S424A200015  | -   | 21,142  | -   | -   |
| Title IV Innovation   |                                      |                                  | S424A180015  | -   | 39,749  | -   | -   |
| Title IV Part A   |                                      |                                  | S424A200015  | -   | -   | -   | 113,421   |
| <b>Total - Student Support and Academic Enrichment Program</b>                        |                                      |                                  |  | <b>-</b>                                      | <b>164,047</b>                                  | <b>-</b>                                      | <b>113,421</b>                                  |
| COVID-19 - Education Stabilization Fund   |                                      | 84.425                           |  |   |   |   |   |
| Elementary and Secondary School Emergency Relief Fund                                 |                                      | 84.425D                          |  |   |   |   |   |
| CARES Act Education Stabilization Relief Fund Reallocation                            | Indiana Department of Education      |                                  | S425D200013  | -   | 722,061   | -   | 256,281   |
| ESSER II (CRRSA)  |                                      |                                  | S425D210013  | -   | 2,105,255                                       | -   | 3,619,637                                       |
| CTE Summer Bridge Program   | Indiana Governor's Workforce Cabinet |                                  | 21-0512-E03B   | -   | 10,477  | -   | 745   |
| American Rescue Plan-Elementary and<br>Secondary School Emergency Relief<br>ESSER III | Indiana Department of Education      | 84.425U                          | S425U210013  | -   | 115,731   | -   | 4,080,988                                       |
| <b>Total - COVID-19 - Education Stabilization Fund</b>                                |                                      |                                  |  | <b>-</b>                                      | <b>2,953,524</b>                                | <b>-</b>                                      | <b>7,957,651</b>                                |
| <b>Total - Department of Education</b>  |                                      |                                  |  | <b>-</b>                                      | <b>7,501,573</b>                                | <b>-</b>                                      | <b>11,820,198</b>                               |

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2022 and 2023

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title     | Pass-Through Entity or Direct Grant               | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-22 | Total<br>Federal Awards<br>Expended<br>06-30-22 | Passed Through<br>to Subrecipient<br>06-30-23 | Total<br>Federal Awards<br>Expended<br>06-30-23 |
|---|---|----------------------------------|--|---|---|---|---|
| <b><u>Department of Health and Human Services</u></b>                   |   |                                  |  |   |   |   |   |
| Head Start Cluster  |   |                                  |  |   |   |   |   |
| Head Start  | Geminus Corporation                               | 93.600                           |  |   |   |   |   |
| Head Start  |   |                                  | 2021-2022  | -   | 737,873   | -   | -   |
| Head Start  |   |                                  | 2023-2024  | -   | -   | -   | 287,760   |
| Head Start  |   |                                  | 2022-2023  | -   | 160,823   | -   | 695,189   |
| Total - Head Start Cluster  |   |                                  |  | -   | 898,696   | -   | 982,949   |
| Medicaid Cluster  |   |                                  |  |   |   |   |   |
| Medical Assistance Program  | Indiana Family and Social Services Administration | 93.778                           |  |   |   |   |   |
| Medicaid  |   |                                  | FY2022   | -   | 112,195   | -   | -   |
| Medicaid  |   |                                  | FY2023   | -   | -   | -   | 95,885  |
| Total - Medicaid Cluster  |   |                                  |  | -   | 112,195   | -   | 95,885  |
| Total - Department of Health and Human Services                         |   |                                  |  | -   | 1,010,891                                       | -   | 1,078,834                                       |
| <b><u>Department of Homeland Security</u></b>                           |   |                                  |  |   |   |   |   |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Federal Emergency Management Agency               | 97.036                           |  |   |   |   |   |
| Public Assistance Grant FEMA  |   |                                  | DR-415   | -   | 58,635  | -   | 259,993   |
| Total - Department of Homeland Security                                 |   |                                  |  | -   | 58,635  | -   | 259,993   |
| Total federal awards expended   |   |                                  |  | \$ -  | \$ 12,735,890                                   | \$ -  | \$ 17,878,425                                   |

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
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. Special Education Cooperative**

The School Corporation is a member of a special education cooperative (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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

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

| Assistance Listings Number | Name of Federal Program or Cluster  | Opinion Issued         |
|----------------------------|---|------------------------|
| 84.425                     | Special Education Cluster (IDEA)<br>COVID-19 - Education Stabilization Fund | Qualified<br>Qualified |

Dollar threshold used to distinguish between Type A and Type B programs: \$918,429

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2023-001**

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

*Condition and Context*

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

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered 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) were not effective.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

1. Several grants had individually immaterial errors that resulted in a material misstatement of expenditures of \$1,306,200, in total.
2. Other errors included incorrect program names, assistance listings numbers, and identifying numbers.

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](#)."

"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. . . ."

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 award year separately. At a minimum, the schedule must:

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

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

"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. . . .

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2023-002**

Subject: Special Education Cluster - Earmarking  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.173  
Federal Award Numbers and Years: 20611-043-PN01, 21611-043-PN01, 21619-43-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Matching, Level of Effort, Earmarking  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition and Context*

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). During fiscal year 2021-2022, 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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Non-Public Proportionate Share expenditures for the 20611-043-PN01, 21611-043-PN01, and 21619-43-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 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 20611-043-PN01, 21611-043-PN01, and 21619-43-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. . . ."

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

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. 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 control, and procedures should consist of actions that would implement these policies.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, it could not be determined if the School Corporation expended their required non-public proportionate share.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure that the required non-public proportionate share amounts are spent as required.

*Views of Responsible Officials*

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

**FINDING 2023-003**

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

*Condition and Context*

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

The School Corporation had not designed, nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. Two construction contracts, totaling \$1,543,551 were paid from the COVID-19 - Education Stabilization Fund grant funds during the audit period. Both contracts were tested; however, neither contract contained the required prevailing wage rate clause. Certified payrolls were submitted by the contractor for one of the contracts after the construction was completed for the contract which totaled \$1,424,051; however, certified payrolls could not be obtained for the contract which totaled \$119,500.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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). . . ."

29 CFR 5.5 states in part:

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

(1) *Minimum wages.*

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

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

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200 Appendix II states in part:

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

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

*Cause*

A proper system of internal controls was not designed by management of the School Corporation, 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, construction contracts entered into did not contain the required wage rate requirements clauses nor were certified payrolls timely obtained by the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

*Views of Responsible Officials*

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2023-004**

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

*Condition and Context*

The School Corporation paid \$1,467,550 from the COVID-19 - Education Stabilization Fund program for two improvement projects which exceeded the School Corporation's capitalization threshold. The improvements were not added to the School Corporation's capital asset listing. Additionally, the School Corporation completed a capital asset inventory as required; however, because material improvements were not included in the capital asset listing, it was determined that the School Corporation did not reconcile differences in the property records as required.

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:

- (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, 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 sales price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

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

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, improvements purchased were not properly added to the capital asset listing. In addition, a reconciliation between the inventory records and the property records were not completed.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure asset records include all assets.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



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Superintendent of Schools

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Dexter Suggs, Ph.D.  
Assistant Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2021-001**

**Fiscal year in which the finding initially occurred: 2021**  
**Current Audit Period: July 1, 2021-June 30, 2023**

**Finding Subject: Special Education Cluster - Earmarking**  
**Summary of Finding:**

*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 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.*

**Status of Audit Finding:**

*Fully corrected by Northwest Indiana Special Education Cooperative (NISEC) and Merrillville Community School Corporation.*

**Response Comments:**

*NISEC did receive a repeat finding from prior audit report for earmarking. Due to the timing of the completion of our prior audit and the changes needing to be made it started being implemented as of September 2022 along with the changes NISEC made. NISEC stopped reporting nonpublic proportionate share expenditures by percentage as of the 2023-2024 school year. An internal control procedure to report nonpublic proportionate share expenditures by detailed time and effort work and expenditures were implemented as of the 2023-2024 school year.*

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**CORRECTIVE ACTION PLAN**

***FINDING 2023-001***

**Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards**  
**Summary of Finding: Material Weakness, Noncompliance**  
**Contact Person Responsible for Corrective Action: Meghan Damron**  
**Contact Phone Number and Email Address: 219-650-5300 x5361**

**Views of Responsible Officials:**

We concur with the finding. We have taken the audit finding, conclusions and recommendations and created a corrective action plan to correct our process for the future.

**Description of Corrective Action Plan:**

Merrillville Community School Corporation's treasurer and deputy treasurer will work closely with our Director of Grants to help us verify we have the correct award number and program names to identify the grants. We will also include steps to have the Director of School Nutrition review our numbers with her commodities and online reports so we have the correct amounts to report. After everyone reviews we will have them initial/sign off that it matches the award letters provided to them for the respective funds. An internal control procedure will be written and in place for the Schedule of Expenditures of Federal Awards.

**Anticipated Completion Date:**

An internal control procedure will be in place for the 2023-2024 Schedule of Expenditures of Federal Awards reporting time period.

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## CORRECTIVE ACTION PLAN

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

**Finding Subject: Special Education Cluster - Earmarking**  
**Summary of Finding: Material Weakness, Modified Opinion**  
**Contact Person Responsible for Corrective Action: Meghan Damron**  
**Contact Phone Number and Email Address: 219-650-5300 x5361**

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

We concur with the finding. We have taken the audit finding, conclusions and recommendations and created a corrective action plan to correct our earmarking for the future.

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

As a member of the Northwest Indiana Special Education Cooperative (NISEC), Merrillville Community School Corporation reported their proportionate share based on a percentage of expenditures, and had successful audits in doing so. When Merrillville Community School Corporation was notified that this process was no longer acceptable, we immediately implemented an internal control process with NISEC which included a detailed reporting of staff work hours for nonpublic schools related to only our school corporation. The report is then reviewed and signed by the NISEC staff working for the nonpublic school and their supervisor. The employee detailed time and effort report are then provided to the NISEC finance department for a second review and signature before being provided to payroll. NISEC payroll then charges the proportionate share to the IDEA Part B grant in the payroll system bi-weekly based on the time and effort report pertinent to just Merrillville Community School Corporation. The time and effort reports are then used to submit the reimbursement request to the Department of Education for Merrillville Community School Corporation's proportionate share.

Additionally, any IDEA Part B nonpublic material expense is broken out in detail with Merrillville Community School Corporation proportionate share for approval by the NISEC finance office prior to vendor payment and the reimbursement request is submitted to the Department of Education.

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

The Northwest Indiana Special Education Cooperatives Chief Financial Officer stopped reporting nonpublic proportionate share expenditures by percentage as of the 2022-2023 school year. An internal control procedure to report nonpublic proportionate share expenditures by detailed time and effort work and expenditures were implemented as of the 2023-2024 school year.

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## CORRECTIVE ACTION PLAN

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

**Finding Subject: COVID-19 Education Stabilization Fund – Special Tests and Provisions – Wage Rate Requirements**

**Summary of Finding: Material Weakness, Modified Opinion**

**Contact Person Responsible for Corrective Action: Debbie Van Slyke**

**Contact Phone Number and Email Address: 219-650-5300 x7563, [dvanslyke@mvsc.k12.in.us](mailto:dvanslyke@mvsc.k12.in.us)**

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

We concur with the finding. We learned of this new requirement after the projects were started and some had already been completed. Once the guidance was released to the school districts we implemented the plan below.

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

The School Corporation plans to take the following action:

- Davis Bacon wage rate requirement clauses will be included in all future ESSER funded construction contracts.
- Certified payrolls will be obtained as required for all future ESSER funded construction projects.

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

- Davis Bacon wage rate requirement clauses will be included in future ESSER funded construction contracts. A completion date is not available as we do not expect any additional construction projects to be funded through ESSER.
- Certified payrolls will be obtained as required for ESSER funded construction projects. A completion date is not available as we do not expect any additional construction projects to be funded through ESSER.

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**CORRECTIVE ACTION PLAN**

***FINDING 2023-004***

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

**Summary of Finding: Material Weakness, Modified Opinion**

**Contact Person Responsible for Corrective Action: Debbie Van Slyke**

**Contact Phone Number and Email Address: 219-650-5300 x7563, [dvanslyke@mvsc.k12.in.us](mailto:dvanslyke@mvsc.k12.in.us)**

**Views of Responsible Officials:**

We concur with the finding. We learned of this new requirement after the inventory was conducted. Once the guidance was released to the school districts we implemented the plan below.

**Description of Corrective Action Plan:**

The School Corporation plans to take the following action:

- The two ESSER funded capital improvements that were cited will be added to the district ESSER capital assets inventory.
- The two ESSER funded capital improvements that were cited will be added to the school capital asset inventories. ESSER funded HVAC improvements will be added to Iddings school capital asset list. ESSER funded renovation work at the high school will be added to the Merrillville high school capital assets list.
- Moving forward, additional capital improvements that were funded through ESSER will be added to the district ESSER capital assets inventory as well as school capital asset lists.

**Anticipated Completion Date:**

- The two ESSER funded capital improvements that were cited will be added to the district ESSER capital assets inventory by February 29, 2024
- The two ESSER funded capital improvements that were cited will be added to the school capital asset inventories by July 1, 2024. The district will be working through this process with Kroll. The date of inspection is expected to be early June.
- Additional capital improvements that were funded through ESSER will be added to the district ESSER capital assets inventory as well as school capital asset lists as they are completed.

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## 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/>.