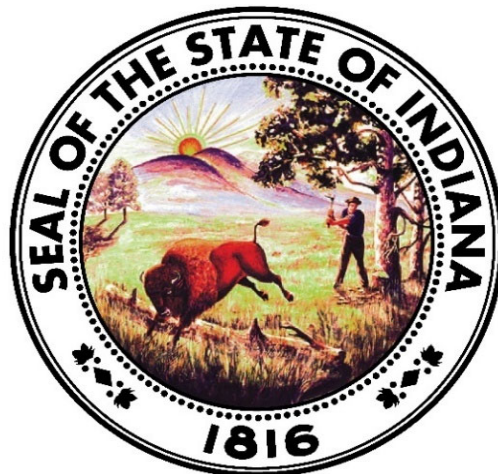


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT
OF

NORTHWESTERN CONSOLIDATED
SCHOOL DISTRICT OF SHELBY COUNTY
SHELBY COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tammy Achenbach	07-01-21 to 06-30-24
Superintendent of Schools	Chris Hoke	07-01-21 to 06-30-24
President of the School Board	Todd Brandman David Ploog	07-01-21 to 12-31-21 01-01-22 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 NORTHWESTERN CONSOLIDATED SCHOOL
DISTRICT OF SHELBY COUNTY, SHELBY 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 Northwestern Consolidated School District of Shelby County (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 7, 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.

Northwestern Consolidated School District of Shelby County'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

March 7, 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 NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northwestern Consolidated School District of Shelby County'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.

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2021 to June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

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)

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 item 2023-002, to be material weaknesses.

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

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

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

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 7, 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 7, 2024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
 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 / FY 2023	\$ -	\$ 121,016	\$ -	\$ 84,693
Federal School Breakfast Reimbursement							
National School Lunch Program	Indiana Department of Education	10.555					
Federal School Lunch Reimbursement							
SNP Emergency Funds							
Commodities							
			FY 2022 / FY 2023	-	608,915	-	432,631
			FY 2022 / FY 2023	-	190	-	-
			FY 2022 / FY 2023	-	57,756	-	44,997
Total - National School Lunch Program							
				-	666,861	-	477,628
Total - Child Nutrition Cluster							
				-	787,877	-	562,321
Total - Department of Agriculture							
				-	787,877	-	562,321
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Spec Ed Part B 611 FY21 Grant							
Spec Ed Part B 611 FY 2022							
SPEC ED PART B 611 FY 2023							
	Indiana Department of Education	84.027					
			21611-025-PN01	-	122,219	-	1,634
			22611-025-PN01	-	259,426	-	66,166
			23611-025-PN01	-	-	-	175,075
Subtotal - Special Education Grants to States							
				-	381,645	-	242,875
COVID-19 - Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)							
IDEA ARP 611							
	Indiana Department of Education	84.027X					
			22611-025-ARP	-	10,591	-	57,042
Total - Special Education Grants to States							
				-	392,236	-	299,917
Special Education Preschool Grants							
Spec Ed Part B 619 Preschool FY 2021							
Spec Ed Part B 619 FY 2022							
SPEC ED PART B 619 FY 2023							
	Indiana Department of Education	84.173					
			21619-025-PN01	-	1,926	-	440
			22619-025-PN01	-	13,303	-	1,226
			23619-025-PN01	-	-	-	14,650
Subtotal - Special Education Preschool Grants							
				-	15,229	-	16,316
COVID-19 - Special Education Preschool Grants							
IDEA ARP 619							
	Indiana Department of Education	84.173X					
			22619-025-ARP	-	1,704	-	162
Total - Special Education Preschool Grants							
				-	16,933	-	16,478
Total - Special Education Cluster (IDEA)							
				-	409,169	-	316,395
Title I Grants to Local Educational Agencies							
Title I Part A FY 2021							
	Indiana Department of Education	84.010					
			S010A200014	-	35,446	-	-

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
 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
Title I Part A FY 2022 TITLE I PART A FY 2023			S010A210014 S010A220014	- -	84,766 -	- -	114,986 131,944
Total - Title I Grants to Local Educational Agencies				-	120,212	-	246,930
Supporting Effective Instruction State Grants Title II Part A FFY 2020 2020/2021 TITLE II PART A FOR FFY 2021 21-23 TITLE II PART A FOR FFY 2022 22-24	Indiana Department of Education	84.367	S367A200013 S367A210013 S367A220013	- - -	3,375 - -	- - -	- 31,879 23,527
Total - Supporting Effective Instruction State Grants				-	3,375	-	55,406
Student Support and Academic Enrichment Program Title IV Part A FFY 20 2020-2022 TITLE IV PART A FFY21 TITLE IV PART A FFY22	Indiana Department of Education	84.424	S424A180015 S424A210015 S424A220015	- - -	6,690 - -	- - -	8,505 10,143 10,543
Total - Student Support and Academic Enrichment Program				-	6,690	-	29,191
COVID-19 - Education Stabilization Fund ESSER ESSER II ESSER III	Indiana Department of Education	84.425	S425D200013 S425D210013 S425U210013	- - -	15,264 311,196 1,040,397	- - -	- 172,905 265,358
Total - COVID-19 - Education Stabilization Fund				-	1,366,857	-	438,263
Total - Department of Education				-	1,906,303	-	1,086,185
<u>Department of Health and Human Services</u> Medicaid Cluster Medical Assistance Program Medicaid IEP Indiana MAC Medicaid	Indiana Family and Social Services Administration Indiana Department of Education	93.778	FY 2021-2022 FY 2022-2023	- -	1,824 7,454	- -	2,821 5,633
Total - Medical Assistance Program				-	9,278	-	8,454
Total - Medicaid Cluster				-	9,278	-	8,454
Total - Department of Health and Human Services				-	9,278	-	8,454
Total federal awards expended				\$ -	\$ 2,703,458	\$ -	\$ 1,656,960

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
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.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

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

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

FINDING 2023-001

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

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) were not effective.

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer collaborates with a second official when preparing and submitting the federal award information, the review of the second official was not documented. In addition, the collaboration or review was not effective and did not detect or allow for correction of errors prior to submission.

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

1. The Child Nutrition Cluster expenditures were overstated by \$30,159, and understated by \$413,148, in fiscal years 2021-2022 and 2022-2023, respectively.
2. Other errors included incorrect program names and pass-through entity 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](#)."

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; . . ."

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

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

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

Cause

Management 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: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

Assistance Listings Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2022 / FY 2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the prior audit report for Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2021-002.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not designed nor implemented internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance related to the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation entered into a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation's food service operations. Some food service personnel paid with program funds were employees of the FSMC, not the School Corporation. The FSMC billed the School Corporation for the personnel on a regular basis. There was no documented oversight or review process in place to ensure that the amounts billed for personnel were allowable activities and were in conformance with the applicable cost principles for the child nutrition program.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation relied on the food service management company to perform verification procedures of free and reduced price applications, as required by federal regulations. There was no documented oversight or review process by the School Corporation to ensure that the verifications were properly performed by the food service management company.

The lack of internal controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles was a systemic issue throughout the audit period. The lack of internal controls over Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) was isolated to fiscal year 2021-2022.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

A proper system of internal controls was not 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.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: FY21

Current Audit Period: 2021-2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Summary of Finding:

The School District has an internal control in place for a secondary review of the annual Grant Schedule submitted with the Annual Financial Report which generates the Schedule of Expenditures of Federal Awards (SEFA) for audit. The review control in place did not prevent, or detect and correct, errors in the SEFA.

Status of Audit Finding:

Partially Corrected: The Superintendent reviewed the SEFA and verified the previous finding was corrected. However the new finding was missed due to the backup documentation was incorrect. The Corporation Treasurer will be using the Federal Awards letter to verify the fund title and the CFDA number. The Corporation Treasurer and Superintendent review and approve the financial data before it is submitted formally for the corporation. A copy of the SEFA is printed, signed by the Superintendent and retained for audit.

Response Comments:

Implemented for the reporting school year 2023-2024, submission July 2024.

Tammy Achenbach, Business Manager

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001 and 2021-002

Fiscal year in which the finding initially occurred: FY19

Current Audit Period: 2021-2023

Finding Subject: Child Nutrition Cluster: Internal Controls

Summary of Finding:

An effective internal control system was not in place at the School District in order to ensure compliance with requirements related to the grant agreement and applicable compliance requirements related to Cash Management, Special Tests and Provisions – Verification of Free and Reduced-Price Applications (NSLP), and Special Tests and Provisions – Paid Lunch Equity.

Status of Audit Finding:

Corrected:

Cash Management: Implemented sign off sheets and emails for the claims review between the food service management company manager and the Corporation Treasurer, done on a monthly basis and kept either electronically or hard copies for audit purposes.

Special Tests and Provisions – Verification of Free and Reduced-Price Applications:

The food service director calculates how many applications to test per the IDOE guidelines and the Corporation Treasurer reviews those applications and initials, dates and food service management company manager maintains for audit purposes.

Special Tests and Provisions – Paid Lunch Equity:

The food service management company manager completes the paid lunch equity calculation per the IDOE guidelines and is reviewed and verified by the Corporation Treasurer who initials, dates and the food service management company manager maintain for audit purposes.

Response Comments:

Cash Management: Implemented for the reporting school year 2022-2023.

Special Tests and Provisions – Verification for Free and Reduced-Price Applications: Implemented for the reporting school year 2022-2023.

Special Tests and Provisions – Paid Lunch Equity: Implemented for the reporting school year 2022-2023.

Tammy Achenbach, Business Manager

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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

The Federal grant information was not properly reviewed before submitting into Gateway. Changes in the process of reviewing the information will prevent future errors.

Contact Person Responsible for Corrective Action: Tammy Achenbach

Contact Information:

Phone: 317-835-7461

Email: tachenbach@nwshelbyschools.org

Views of Responsible Officials:

Management agrees with the finding. Management will ensure proper internal controls are implemented over the federal award information entered into Indiana Gateway for Government Units (Gateway) financial reporting system.

Description of Corrective Action Plan:

The Business Manager will enter the necessary information into Gateway and have the Superintendent or other official will review the information and said person will sign and date. Once reviewed, the Business Manager will do the submission and keep a copy for audit purposes

Anticipated Completion Date: The district will implement this process when the SEFA is due which will be end of August 2024.

Tammy Achenbach

Business Manager

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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Child Nutrition Cluster – Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

Assistance Listing Numbers: 10.553, 10.555

Federal Award Number: 7350

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Costs Principles, Special Tests and Provisions-Verification of Free and Reduced Price Applications

Summary of Finding: Material Weakness

Internal Controls were not implemented to prevent noncompliance related to the verification of free and reduced applications and hours and wages. A new internal control procedure will be implemented for the second review of the free and reduced applications and for the hours and wages.

Repeat Finding: Prior audit finding number was 2021-002.

Contact Person Responsible for Corrective Action: Tammy Achenbach

Contact Information:

Phone: 317-835-7461

Email: tachenbach@nwshelbyschools.org

Views of Responsible Officials: Management agrees with the finding. Management will ensure proper documented review of amounts billed for personnel and for the free and reduce verification

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Description of Corrective Action Plan:

Review for personnel charges:

During the monthly meeting to review the FSMC invoice, along with Operations Ledger, Client P&L, Monthly Reimbursements, Invoices, USDA Reconciliation, Direct Certification, The Hours and Wages will be reviewed and approved.

Free and Reduced Verification:

Internal Controls for the first round of Free and Reduce Applications will be verified by the Data Controller or the Business Manager and the verification of the random testing of the verifications will be done by the Business Manager or the Deputy Treasurer.

Anticipated Completion Date: The district will start the new internal control procedure March 2024 to correct for the 23-24 school year.

Tammy Achenbach

Business Manager

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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/>.