

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MITCHELL COMMUNITY SCHOOLS

LAWRENCE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
02/23/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Malinda Powell	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Brent Comer	07-01-21 to 06-30-24
President of the School Board	Christopher Shaw Steve Burton	07-01-21 to 12-31-23 01-01-24 to 06-30-24



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

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE 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 Mitchell Community Schools (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 14, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Mitchell Community Schools' Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

February 14, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Mitchell Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal program is 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 its major federal program for the period of July 1, 2021 to June 30, 2023.

Basis for Opinion on the 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 THE 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 THE 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 2023-003, 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 February 14, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 14, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY2022	\$ -	\$ 158,560	\$ -	\$ -
School Breakfast			FY2023	-	-	-	174,488
Total - School Breakfast Program				-	158,560	-	174,488
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY2022	-	617,791	-	-
Commodities			FY2023	-	-	-	579,947
Commodities			FY2022	-	77,202	-	-
Commodities			FY2023	-	-	-	66,432
Total - National School Lunch Program				-	694,993	-	646,379
Total - Child Nutrition Cluster				-	853,553	-	820,867
Total - Department of Agriculture				-	853,553	-	820,867
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			21611-161-PN01	-	201,742	-	-
Special Education			22611-161-PN01	-	76,898	-	315,849
Special Education			23611-161 PN01	-	-	-	198,690
Subtotal - Special Education Grants to States				-	278,640	-	514,539
COVID 19 - Special Education Grants to States	Indiana Department of Education	84.027X					
Special Education			22611-161-ARP	-	-	-	74,635
Total - Special Education Grants to States				-	278,640	-	589,174
Special Education Preschool Grants							
Pre School	Indiana Department of Education	84.173					
Pre School			22611-161 PN01 619	-	18,639	-	-
Pre School			23611-161 PN01 619	-	-	-	19,143
Subtotal - Special Education Preschool Grants				-	18,639	-	19,143
COVID 19 - Special Education Preschool Grants	Indiana Department of Education	84.173X					
Pre School			22619-161-ARP	-	-	-	6,262
Total - Special Education Preschool Grants				-	18,639	-	25,405
Total - Special Education Cluster (IDEA)				-	297,279	-	614,579

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Title I Grants to Local Educational Agencies							
Title I	Indiana Department of Education	84.010					
Title I			S010A200014	-	90,811	-	-
Title I School Improvement Grant			S010A210014	-	126,877	-	114,301
Title I			S010A200014 SIG	-	33,192	-	-
Title I			S010A220014	-	-	-	144,478
Total - Title I Grants to Local Educational Agencies				-	250,880	-	258,779
Career and Technical Education - Basic Grants to States							
2020-2021 Pilot Program Implementation Grant	Indiana Department of Education	84.048	V048A190014	-	2,788	-	-
Supporting Effective Instruction State Grants							
(formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
2018 Title II, Part A, Teacher and Principal Training & Recruiting Fund			S367A180013	-	2,000	-	-
Title II			S367A210013	-	48,928	-	-
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	50,928	-	-
Student Support and Academic Enrichment Program							
Title IV	Indiana Department of Education	84.424					
Title IV			S424A200015	-	7,376	-	-
Title IV			S424A210015	-	12,303	-	9,998
Total - Student Support and Academic Enrichment Program				-	19,679	-	9,998
COVID-19 - Education Stabilization Fund							
Governor's Emergency Education Relief (GEER)	Southern Indiana Education Center	84.425C	S425C200018	-	50,175	-	-
Elementary and Secondary School Emergency Relief (ESSER) Fund II	Indiana Department of Education	84.425D	S425D210013	-	739,623	-	187,679
Elementary and Secondary School Emergency Relief (ESSER) Fund II	Indiana Department of Education	84.425D	EL2JSM7SZCT7	-	-	-	365,199
Elementary and Secondary School Emergency Relief (ESSER) Fund III	Indiana Department of Education	84.425U	S425U210013	-	902,634	-	52,930
Total - COVID-19 - Education Stabilization Fund				-	1,692,432	-	605,808
Total - Department of Education				-	2,313,986	-	1,489,164
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid			FY 22	-	11,880	-	-
Medicaid			FY 23	-	-	-	38,402
Total - Medical Assistance Program				-	11,880	-	38,402
Total - Medicaid Cluster				-	11,880	-	38,402
Total - Department of Health and Human Services				-	11,880	-	38,402
Total federal awards expended				\$ -	\$ 3,179,419	\$ -	\$ 2,348,433

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. GEER I Expenditures

The School Corporation was a participant in a joint application with other Local Education Agencies (LEAs) to receive GEER I funding from the COVID-19 - Education Stabilization Fund through the Indiana Department of Education. Southern Indiana Education Center (SIEC) served as the fiscal agent for the award. All LEAs expended their portion of the funds and requested reimbursement through SIEC. Thus, the GEER activity would be reflected in both the LEAs accounting records as a receipt and disbursement.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

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

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

Auditee qualified as low-risk auditee?	no
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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

Condition and Context

The School Corporation is required to file reports not later than 60 days after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed the required reports; however, the School Corporation had not designed and implemented 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). The Treasurer prepared and entered the federal award information into the Gateway without an oversight, review, or approval process in place to prevent, or detect and correct, errors on the SEFA.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The COVID-19 - Education Stabilization Fund expenditures were understated by \$350,799 in fiscal year 2022-2023.
2. Additional grants had individually immaterial errors that resulted in expenditures being understated by \$8,161 in 2021-2022 and \$113,692 in 2022-2023.
3. Other errors included incorrect program titles, project titles, pass-through entities, and identifying numbers.

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

Criteria

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

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

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

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

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (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."

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

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

Views of Responsible Officials

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

FINDING 2023-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

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

Receipts

The School Corporation had not separated incompatible activities related to receipts. The Treasurer collected general School Corporation receipts, made deposits into the bank account, and recorded the receipts in the financial records. There was no oversight, review, or approval process over receipts to ensure that all receipt activity was accurately recorded and deposited.

Financial Close and Reporting

The School Corporation had not established internal controls over financial close and reporting. The Treasurer prepared and submitted the Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. There were no documented internal controls in place to prevent, or detect and correct, errors in the financial information prior to submission.

Criteria

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

MITCHELL COMMUNITY SCHOOLS
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 of the School Corporation had not established a proper system of internal controls related to financial close and reporting.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: COVID-19 - Education Stabilization Fund - Reporting

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, EL2JSM7SZCT7, S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports. The annual data reports were compiled, prepared, and submitted by the Assistance Superintendent without an oversight or review process in place to prevent, or detect and correct, errors.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include 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 of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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.

Dr. Brent Comer
SUPERINTENDENT

Ms. Jessica Jones
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Ruthellen Lane
DEPUTY TREASURER

Audria Griffin
BENEFITS/SECRETARY

Georgia Dumond
RECEPTIONIST

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Crystal D. Mikels
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Christopher S. Shaw
MEMBER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021
Current Audit Period: 2023

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

An effective internal control system was not in place at the School Corporation in order to ensure compliance with earmarking requirements related to the Special Education Cluster grant agreements.

Status of Audit Finding:
Corrected

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SUPERINTENDENT

Ms. Jessica Jones
ASSISTANT SUPERINTENDENT

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CORRECTIVE ACTION PLAN

FINDING 2023-001

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

Summary of Finding:

The School Corporation had not designed and implemented 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).

The School Corporation had not established internal controls over the federal award information entered into Gateway, which is the source of the School Corporation's SEFA. The Treasurer prepared and entered the federal award information into the Gateway, without an oversight or review, or approval process in place to prevent, or detect and correct, errors on the SEFA.

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

1. The COVID-19 – Education Stabilization Fund expenditures were understated by \$350,799 in FY23.
2. Additional grants had individually immaterial errors that resulted in expenditures being understated by \$8,161 in FY22 and \$113,692 in FY23.
3. Other errors included incorrect program titles, project titles, pass-through entities, and identifying numbers.

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

Contact Person Responsible for Corrective Action: Malinda Powell
Contact Phone Number and Email Address: 812-849-4481
powellm@mitchell.k12.in.us

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan:

As part of a new Internal Control Plan regarding the Annual SEFA report the Treasurer will complete the SEFA for the current year. This will then be checked and signed off on by the Assistant Superintendent.

Anticipated Completion Date:

This will be implemented immediately.

Dr. Brent Comer
SUPERINTENDENT

Ms. Jessica Jones
ASSISTANT SUPERINTENDENT

Malinda Powell
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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

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

Receipts

The School Corporation had not separated incompatible activities related to receipts. The Treasurer collected general School Corporation receipts, made deposits into the bank account, and recorded the receipts in the financial records. There was no oversight, review, or approval process over receipts to ensure that all receipt activity was accurately recorded and deposited.

Financial Close and Reporting

The School Corporation had not established internal controls over financial close and reporting. The Treasurer prepared and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. There were no documented internal controls in place to prevent or detect and correct errors in the financial information prior to submission.

Contact Person Responsible for Corrective Action: Malinda Powell

Contact Phone Number and Email Address: 812-849-4481

powellm@mitchell.k12.in.us

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan:

Receipts

The Treasurer will present the balanced Revenue Report at the end of each month to the Superintendent and he will sign off on the current Revenue Report.

Financial Close and Reporting

The Annual Financial Report will be completed by the Treasurer and presented to the Superintendent for his approval and he will then signoff on report.

Anticipated Completion Date:

This will be implemented immediately.

Dr. Brent Comer
SUPERINTENDENT

Ms. Jessica Jones
ASSISTANT SUPERINTENDENT

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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Education Stabilization Fund - Reporting

Summary of Finding:

Material Weakness - An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and Reporting compliance requirement.

The annual Elementary and Secondary School Emergency Relief (ESSER) Data Collection reports were prepared and submitted by the Assistant Superintendent without an oversight or review process in place to prevent, or detect and correct errors.

Contact Person Responsible for Corrective Action: Jessica L. Jones, Asst. Superintendent
Contact Phone Number and Email Address: (812) 849-4481; jonesjl@mitchell.k12.in.us

Views of Responsible Officials:

We concur with the finding

Description of Corrective Action Plan:

Grant reports will be completed collaboratively with segregated duties by two central office staff. This will include signatures of the grant report preparer and the grant report reviewer. Grant report preparers and/or reviewers can include the superintendent, asst. superintendent, and corporation treasurer.

Anticipated Completion Date:

Already addressed and the corrective action plan is in place. This was implemented January 17, 2024 after discussion with the auditor.

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/>.