

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MICHIGAN CITY AREA SCHOOLS

LAPORTE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lance E. Werner	01-01-17 to 12-31-20
Superintendent of Schools	Dr. Barbara Eason-Watkins	01-01-17 to 12-31-20
President of the School Board	Donald J. Dulaney Marty M. Corley	01-01-17 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Michigan City Area Schools (School Corporation), for the period of July 1, 2017 to June 30, 2019, 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 4, 2020, 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.

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) to determine the 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, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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)

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 2019-001.

Michigan City Area Schools' Response to Findings

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.


Paul D. Joyce, CPA
State Examiner

February 4, 2020



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

TO: THE OFFICIALS OF THE MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Michigan City Area Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2019-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, 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 Special Education Cluster (IDEA) for the period of July 1, 2017 to June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, 2019-004, and 2019-005, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance 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.

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, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 4, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.


Paul D. Joyce, CPA
State Examiner

February 4, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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MICHIGAN CITY AREA SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY18	\$ -	\$ 812,358	\$ -	\$ -
School Breakfast			FY19	-	-	-	843,532
Total - School Breakfast Program				-	812,358	-	843,532
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY18	-	2,174,347	-	-
School Lunch			FY19	-	-	-	2,415,862
School Snack			FY18	-	70,857	-	-
School Snack			FY19	-	-	-	64,113
Commodities			FY18	-	264,979	-	-
Commodities			FY19	-	-	-	291,758
Total National School Lunch Program				-	2,510,183	-	2,771,733
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Feeding			FY18	-	146,956	-	-
Summer Feeding			FY19	-	-	-	136,845
Total - Summer Food Service Program for Children				-	146,956	-	136,845
Total - Child Nutrition Cluster				-	3,469,497	-	3,752,110
Child and Adult Care Food Program	Indiana Department of Education	10.558					
School Supper			FY18	-	13,466	-	-
School Supper			FY19	-	-	-	25,803
Total - Child and Adult Care Food Program				-	13,466	-	25,803
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY18	-	85,779	-	-
Fresh Fruit and Vegetable Program			FY19	-	-	-	83,793
Total - Fresh Fruit and Vegetable Program				-	85,779	-	83,793
Total - Department of Agriculture				-	3,568,742	-	3,861,706
Department of Labor							
WIOA Cluster							
WIOA Adult Program	The Centers of Workforce Innovations	17.258					
Adult Education			C1-1-ABE-0-01	-	2,204	-	-
Adult Education			C1-1-ABE-0-01	-	-	-	41,624
Total - WIOA Adult Program				-	2,204	-	41,624
Total - WIOA Cluster				-	2,204	-	41,624
Total - Department of Labor				-	2,204	-	41,624
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Federal			14216-038-PN01	-	85,238	-	-
Special Education Federal			14217-038-PN01	-	302,807	-	-

MICHIGAN CITY AREA SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Federal			18611-038-PN01	-	1,280,758	-	-
Special Education Federal - FY 2017			14217-038-PN01	-	-	-	81,252
Special Education Federal - FY 2018			18611-038-PN01	-	-	-	388,005
Special Education Federal - FY 2019			19611-038-PN01	-	-	-	1,363,507
Total - Special Education Grants to States				-	1,668,803	-	1,832,764
Special Education Preschool Grants	Indiana Department of Education	84.173					
Preschool			18619-038-PN01	-	61,472	-	-
Preschool			45717-038-PN01	-	11,986	-	-
Preschool Part B Section 619			18619-038-PN01	-	-	-	5,825
Preschool Part B Section 619			19619-038-PN01	-	-	-	55,782
Total - Special Education Preschool Grants				-	73,458	-	61,607
Total - Special Education Cluster (IDEA)				-	1,742,261	-	1,894,371
School Improvement Grants	Indiana Department of Education	84.377					
Title I Grants to Local Education Agencies			S377A130015	-	12,896	-	-
Title I Grants to Local Education Agencies			S377A140015	-	127,511	-	-
Title I Grants to Local Education Agencies			S377A140015	-	-	-	45,328
Title I Grants to Local Education Agencies			S377A150015	-	-	-	90,545
Total - School Improvement Grants				-	140,407	-	135,873
Adult Education - Basic Grants to States	The Center for Workforce Development	84.002					
Adult education - 17/18			AE7-01	-	-	-	59,054
Adult Education - 18/19			AE8-01	-	-	-	46,552
Adult Education			CWI-AE-05-PY16	-	103,330	-	-
Adult Education			CWI-AE-05-PY17	-	64,745	-	-
Total - Adult Education - Basic Grants to States				-	168,075	-	105,606
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			#7000S010A150014	-	4,695	-	-
Title I			#7000S010A160014	-	1,136,314	-	-
Title I			#7000S010A170014	-	1,419,932	-	1,256,614
Title I			#7000S010A180014	-	-	-	1,312,484
Total - Title I Grants to Local Educational Agencies				-	2,560,941	-	2,569,098
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Carl Perkins			17-4700-4925	-	73,186	-	-
Carl Perkins			18-4700-4925	-	142,379	-	-
Carl Perkins - 17/18			18-4700-4925	-	-	-	119,283
Carl Perkins- 2018 Summer Expansion			18A-1700-4925	-	-	-	13,893
Carl Perkins - 18/19			19-4700-4925	-	-	-	209,311
Total - Career and Technical Education - Basic Grants to States				-	215,565	-	342,487
Education For Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney Vento - 18/19			7000A196A180015	-	-	-	7,876
McKinney Vento - 17/18			7000S196A170015	-	-	-	11,625
McKinney Vento			A58-5-17SS-3954	-	13,375	-	-
McKinney Vento			A58-7-17SS-3954	-	12,200	-	-
Total - Education and Homeless Children and Youth				-	25,575	-	19,501

MICHIGAN CITY AREA SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
21st Century - Cohort 6 Year 4			A57-7-17DL-0020	-	10,399	-	-
21st Century - Cohort 7 Year 3			S287C150014	-	2,412	-	-
21st Century - Cohort 7 Year 4			S287C160014	-	262,244	-	-
21st Century - Cohort 8 Year 1			S287C160014	-	212,772	-	-
21st Century - Cohort 7 Year 3			S287C160014	-	-	-	39,309
21st Century - Cohort 8 Year 1			S287X160014	-	-	-	35,071
21st Century - Cohort 8 Year 2			S287C170014	-	-	-	197,225
21st Century - Cohort 9 Year 1			S287C170014	-	-	-	247,897
21st Century - Innovation Grant			7000-S010A170014	-	-	-	21,790
Total - Twenty-First Century Community Learning Centers				-	487,827	-	541,292
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A150013	-	69,674	-	-
Title II Part A			S367A160013	-	244,518	-	-
Title II Part A			S367A170013	-	6,525	-	-
Title II - FFY 2016			S367A160013	-	-	-	56,057
Title II - FFY 2017			S367A170013	-	-	-	183,532
Title II - FFY 2018			S367A180013	-	-	-	36,444
Total - Supporting Effective Instruction State Grants				-	320,717	-	276,033
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV - Yr 2018			A424A180015	-	-	-	12,908
Title IV - Yr 2017			S424A170015	-	-	-	53,934
Total - Student Support and Academic Enrichment Program				-	-	-	66,842
Total - Department of Education				-	5,661,369	-	5,951,103
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Office of Medicaid Policy and Planning	93.778					
INMAC			INMAC	-	148,746	-	153,637
Total - Medicaid Cluster				-	148,746	-	153,637
Opioid STR	Indiana Department of Education	93.788					
Cures Grant			1H79TI081689-01	-	-	-	175,398
Total federal awards expended				\$ -	\$ 9,381,061	\$ -	\$ 10,183,468

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

MICHIGAN CITY AREA SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

MICHIGAN CITY AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.287	Twenty-First Century Community Learning Centers	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 2019-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding cash and investments. The prior audit finding number was 2017-001.

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

Condition and Context

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

Cash and Investments

The School Corporation had a control in place over cash and investments; however, the control was not effective. The control did not ensure that all bank accounts were reconciled or that a combined bank reconciliation of all accounts was performed and agreed to the financial statement. Noncompliance occurred and was not detected.

The School Corporation did not prepare a monthly reconciliation of the Solar Project bank account. In addition, a combined reconciliation of all bank accounts and School Corporation funds was not performed.

In 2018, the School Lunch fund became part of the School Corporation's official records. The Food Service Director reviewed the School Lunch bank reconciliation prepared by the food service finance assistant. There was no review of the reconciliation by the School Corporation to ensure that it agreed with the Corporation's financial software.

The Clearing Account - Food Service Prepaid Collections fund (fund 8400) was not reconciled to the total of the individual students' meal accounts on a monthly basis. As of June 30, 2018 and 2019, the reported balance in the financial statement exceeded the total of the individual meal accounts by \$7,663 and \$6,758, respectively,

Receipts

Receipts were recorded in the School Corporation's financial system without oversight or review.

Payroll Disbursements

Payroll distribution reports were printed and provided to the Deputy Treasurer for review; however, there was no documentation of a review.

Average Daily Membership Reporting

There was a lack of control over Average Daily Membership (ADM) Reporting. The ADM count was submitted to the Indiana Department of Education without oversight or review.

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:

MICHIGAN CITY AREA 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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Cause

Management of the School Corporation had not established a proper system of internal controls that segregated key functions.

Effect

The failure to establish a system of internal controls enabled noncompliance to occur and could have enabled material misstatements or irregularities to occur and not be detected.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding indirect cost rate. The prior audit finding number was 2017-014.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Cash Management compliance requirements.

Allowable Costs/Cost Principles - Form 9

The Indiana Department of Education used the Form 9 financial reports submitted by the School Corporation to determine the indirect cost rate. These reports were comprised of the School Corporation's transactions recorded during the audit period. Controls were not in place to ensure expenditures were recorded properly by fund, account, and object code. The lack of controls was a systemic issue throughout the audit period.

Allowable Costs/Cost Principles - Indirect Cost Rate Proposal

The School Corporation submitted an Indirect Cost Rate Proposal as required when indirect costs were claimed. Controls were not in place to ensure that the proposal was accurate and included all supporting documentation. The lack of controls was a systemic issue throughout the audit period.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation did not have effective controls in place to monitor the School Lunch fund monthly cash balances to ensure that they were limited to three months average expenditures. The information used in the spreadsheet to monitor the monthly cash balances was inaccurate. The lack of controls was a systemic issue throughout the audit period.

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

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

The School Corporation's management had not developed an effective system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles and Cash Management compliance requirements.

Views of Responsible Officials

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

FINDING 2019-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

Condition and Context

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Small Purchases

The School Corporation did not follow its own purchasing policy in regards to procurement methods for small purchases. They did not receive or document three price or rate quotes obtained from qualified sources for 50 percent of the vendors tested.

Simplified Acquisition

The School Corporation did not follow its own purchasing policy in regard to procurement methods for simplified acquisition. They did not solicit bids for purchases that exceeded \$150,000 for simplified acquisitions for two of the six vendors during the audit period.

The lack of controls were systemic issues throughout the audit period. Approximately 55 percent of the total grant fund disbursements were Uniform Guidance vendor procurements. The noncompliance for simplified acquisition and small purchases were 12 percent of the procurement expenditures.

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 200.320 states in part:

- . . . (b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

7 CFR 3016.36(b) states in part:

"Procurement standards.

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . .
- (9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

The School Corporation's purchasing policy states in part:

"All procurement transactions shall be conducted in a manner that encourages full and open competition and is in accordance with good administrative practice and sound business judgment. In order to promote objective contractor performance and eliminate unfair competitive advantage, the Corporation shall exclude any contractor that has developed or drafted specifications, requirements, statements of work, or invitations for bids or requests for proposals from competition for such procurements. . . .

Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$3,500 but is less than the competitive bid threshold of \$150,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2019-004

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-038-PN01, 14217-038-PN01,
18611-038-PN01, 19611-038-PN01,
18619-038-PN01, 45717-038-PN01,
19619-038-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-009.

Condition and Context

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Small Purchases

The School Corporation did not follow its own purchasing policy in regards to procurement methods for small purchases. They did not receive or document three price or rate quotes obtained from qualified sources for any small purchases tested.

Simplified Acquisition

The School Corporation did not follow its own purchasing policy in regard to procurement methods for simplified acquisition. They did not solicit bids for purchases that exceeded \$150,000 for simplified acquisitions during the audit period.

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

Suspension and Debarment

The School Corporation did not verify that its contracted vendors were not suspended or debarred from participation in federal programs as required by the School Corporation's procurement policy.

The lack of controls and the 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 200.320 states in part:

". . . (b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 180.300 states:

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

You do this by:

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

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

The School Corporation's purchasing policy states in part:

"All procurement transactions shall be conducted in a manner that encourages full and open competition and is in accordance with good administrative practice and sound business judgment. In order to promote objective contractor performance and eliminate unfair competitive advantage, the Corporation shall exclude any contractor that has developed or drafted specifications, requirements, statements of work, or invitations for bids or requests for proposals from competition for such procurements. . . ."

"Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$3,500 but is less than the competitive bid threshold of \$150,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources. . . ."

"The Corporation shall not subcontract with or award subgrants to any person or company who is debarred or suspended. For contracts over \$25,000, the Corporation shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov; collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor." (2 CFR Part 180 Subpart C)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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

FINDING 2019-005

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grant to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 7000S010A150014;
7000S010A160014;
7000S010A170014;
7000S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

The Indiana Department of Education (State) used the Form 9 financial reports submitted by the School Corporation to determine if they met the required level of effort - maintenance of effort, and in the State's submission of the average State per pupil expenditure data submitted to the National Center for Education Statistics. These reports were comprised of the School Corporation's transactions recorded during the audit period.

Controls were not in place to ensure that expenditures were recorded properly by fund, account, and object code.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not established a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

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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Email: lwerner@mcas.k12.in.us
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Fax: (219) 873-2086

Lance E. Werner
Chief Financial Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Lance E. Werner
Contact Phone Number: 219-873-2000 Ext. 8343

Status of Audit Finding:

Cash and Investment

Monthly bank reconciliations are signed by the Treasurer, with the exception of the installment loan account (solar) and School Corporation School Lunch Account.

Disbursements

Invoices that are not processed through the Purchase Order process are reviewed and signed by the appropriate person prior to being processed for payment.

Financial Reporting

The School Corporation's School Lunch Fund is processed through the Finance System instead of ECA. Reports provided to the Financial Assistant are reviewed and initialed.

School Lunch Fund Receipts and Disbursements

School Corporation School Lunch no longer receipts negative amounts

Lance E. Werner

(Signature)

Treasurer

(Title)

1-2-20

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Lance E. Werner
Contact Phone Number: 219-873-2000 Ext. 8343

Status of Audit Finding:

The Schedule of Expenditures of Federal Awards (SEFA) is reviewed and signed by the Treasurer.
The Finance Assistant and Treasurer have their own log-in to Gateway. Information from School Lunch is compared to what is entered and tracked on the nutrition website.

Lance E. Werner
(Signature)

Treasurer
(Title)

11-15-19
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Cindy Licciardone

Contact Phone Number: 219-873-2131 Ext. 8412

Status of Audit Finding:

The Food Service Department hired Schert Services Equipment Inc., to inventory all equipment belonging to the Food Service Department. All equipment has been bar coded and recorded. This was done in August of 2018. Inventory is kept updated with new purchases, repairs of equipment, and status of non-reparable equipment.

Completion Date: August 2018

Cindy Licciardone
(Signature)

FSD
(Title)

11-21-19
(Date)



Summary Schedule Of Prior Audit Findings

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Cindy Licciardone
Contact Phone Number: 219-873-2131 Ext. 8412

Status of Finding:

The Food Service Department has entered and or renewed with vendors requesting debarment statements in all proposals. The agreements and contracts were taken before the School Board for approval in June of 2018 and August 2019.

The Food Service Department will follow proper procurement procedures when entering into contracts, agreements, and small purchases. Contract extensions will be brought before the School Trustees for approval. Management will establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

When making purchases the MCAS Food Service Department will use the following procedure for procurement thresholds.

1. Micro Purchase (under \$10,000) will be distributed equitably among qualified suppliers or 3 quotes will be required.
2. Small Purchases (Between \$10,000 -\$150,000) will request 3 quotes.
3. Large Purchases (Over \$150,000) will be IFB or RFP and will be advertised
4. Approval will be requested for Non-Noncompetitive Proposal or sole source.

Anticipated Completion Date: Completed.

C Licciardone
(Signature)

FSD
(Title)

11-21-19
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Cindy Licciardone

Contact Phone Number: 219-873-2131 Ext. 8412

Status of Audit Findings

A procedure has been established for verifying free and reduced meal applications during the verification process. The Food Service Field Coordinator is responsible for filling out the verification report of free and reduced meal applications. The Food Service Office Manager will review the verification report for approval. We are now CEP and not required to do verification of free and reduced meal applications.

The Food Service Department takes all meal price changes, for student and adult meals, to the Board of Trustees for approval. A written policy on free meals for nonfood service employees has been taken to the School Board. The non-food service employees, that are helping the food service employees, in the cafeteria during the meal service, will be given a free meal.

C Licciardone
(Signature)

FSD
(Title)

11-21-19
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: 2017

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

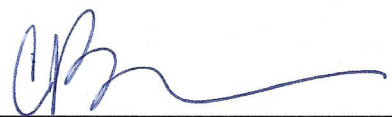
Contact Person Responsible for Corrective Action: Cathy Bildhauser

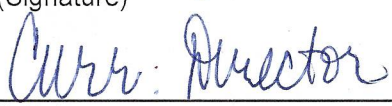
Contact Phone Number: 219-873-2000


Status of Audit Finding:

We obtain quotes or provide a written statement if the purchase is reoccurring from established district programs.

The Curriculum, Data, and Grants Assistant verifies using SAM.gov that companies meet the Suspension and Debarment requirement.



(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

Fiscal year in which the finding initially occurred: 2017
 Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education: IN Dept. of Education
 Contact Person Responsible for Corrective Action: Cathy Bildhauser
 Contact Phone Number: 219-873-2000

Status of Audit Finding:

The technology director verifies the comparability report is accurate and signs as evidence of verification.
 Highly qualified teachers and paraprofessional status is kept on file in the HR department. Any adjustments that are made will be submitted on a signed form.

CB
 (Signature)
Cur. Dir
 (Title)
1-30-20
 (Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008

Fiscal year in which the finding initially occurred: 2017

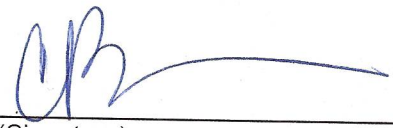
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education: IN Dept. of Education

Contact Person Responsible for Corrective Action: Cathy Bildhauser

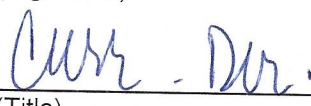
Contact Phone Number: 219-873-2000

Status of Audit Finding:

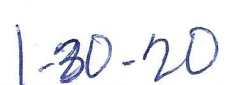
Schools are provided technical support in September to complete required IDOE training by September 30. All staff sign the Testing Security and Integrity Agreement after completing the training. These forms are submitted to the Curriculum Office by September 30 with a staff checklist to demonstrate compliance to this item.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


FINDING 2017-009

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stacy Attar
Contact Phone Number: 219-873-2093

Status of Audit Finding:

As a new director, I was unaware that the \$3,500 applied to an accumulation of items or services. I understood that we needed three quotes per item that cost over \$3,500.00 and not per vendor.

From here on, when making purchases over \$3,500, we will receive 3 quotes when possible. This includes any services or items from the same vendor that will accumulate to more than \$3,500.00 in a fiscal year from July 1 to June 30.



(Signature)

Director of Student Support Services
(Title)

January 30, 2020
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-010

Fiscal year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Sherri Silcox

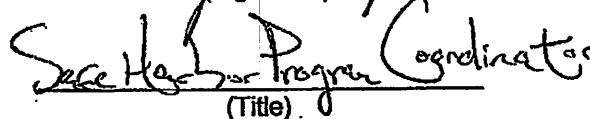
Contact Phone Number: 219-873-2026

Status of Audit Finding:

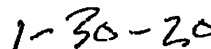
Safe Harbor wrote an addendum to the current 21st CCLC grants to put a written policy in place concerning charges for middle school and high school afterschool program fees and summer camp fees. The addendum was signed by Dr. Barbara Eason-Watkins and sent by email to Erin Busk at the Indiana Department of Education. The email was shared with Graham Collins at IDOE and Cathy Bildhauser at Michigan City Area Schools. Program fees will be specified in all 21st CCLC grants in the future.



(Signature)

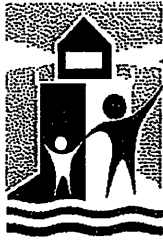


(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



Michigan City Area Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-011

Fiscal year in which the finding initially occurred: 2017

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

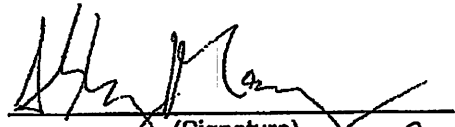
Contact Person Responsible for Corrective Action: Sherri Silcox

Contact Phone Number: 219-873-2026

Status of Audit Finding:

Safe Harbor attached a checklist of all private and public schools in the geographical area served by Michigan City Area Schools to current 21st CCLC grants. In addition, an email was sent out to all listed schools to be sure they are aware of our services, pricing and calendar. This list and a copy of the email sent to the schools was shared with Erin Busk and Graham Collins at Indiana Department of Education and shared with Cathy Bildhauser at Michigan City Area Schools. The checklist for all private and public schools in the area served by Michigan City Area Schools will be included with all future grant applications.

7


 (Signature)
Safe Harbor Program Coordinator
 (Title)
1-30-20
 (Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-012

Fiscal year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Cathy Bildhauser

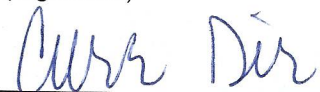
Contact Phone Number: 219-873-2000

Status of Audit Finding:

A form has been developed that communicates the adjustments being made. The signature on the form serves as evidence of approval.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-013

Fiscal year in which the finding initially occurred: 2017

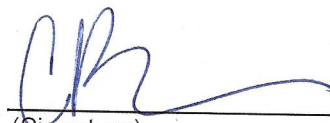
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education: IN Dept. of Education

Contact Person Responsible for Corrective Action: Cathy Bildhauser

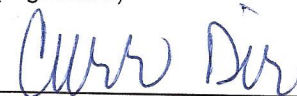
Contact Phone Number: 219-873-2000

Status of Audit Finding:

Our nonpub coordinator verifies that the purchases made align with the grant application or amendment. These are then reviewed by the Curriculum Director before giving final approval.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



Michigan City Area Schools

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408 South Carroll Avenue
Michigan City, Indiana 46360-5345
Email: lwerner@mcas.k12.in.us
Phone: (219) 873-2000 ext. 8343
Fax: (219) 873-2086

Lance E. Werner
Chief Financial Officer

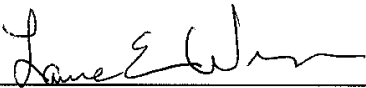
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-014

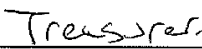
Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Lance E. Werner
Contact Phone Number: 219-873-2000 Ext. 8343

Status of Audit Finding:


This has been completed with the submission of the Delegation for FY2019. The Finance Assistant sends required forms and schedules to the IDOE and includes an explanation if any schedule is blank. Starting FY 2020, the Internal Control will be put in place for the signature of the Treasurer on the delegation form will signify that all forms and schedules have been reviewed.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Lance E. Werner

Contact Phone Number: 218-873-2000 Ext 8343

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Cash and Investment

Monthly bank reconciliations for all corporate bank accounts will be reviewed and signed by the Treasurer or Deputy Treasurer. This includes the Solar Project bank account and the School Lunch Account.

The Clearing Account – Food Service Prepaid Collection Fund (8400) will be reconciled monthly by the Finance Manager Food Service and reviewed by the deputy treasurer

Receipts

Detail receipt registered will be reviewed and signed by the treasure monthly

Payroll Disbursements

Payroll distribution reports will be reviewed and signed by the Deputy Treasurer every pay period.

Average Daily Membership Reporting

The Average Daily Membership (ADM) Reporting will be ran monthly by each school secretary/Treasurer reviewed and initialed by the principal and then emailed over to the Technology department

Anticipated Completion Date: 3/1/2020

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Cynthia Licciardone

Contact Phone Number: 219-873-2131 Ext 8412

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Allowable Cost/ Cost Principles – Form 9

Food Service expenditures will be reviewed monthly by the Deputy Treasurer and signed that the fund, account and object code has been charged correctly for each claim by the Finance Manager for Food Service.

Cash Management

The Finance Manager for food service will use the account summary out of RDS to calculate the three months average expenditure. This would ensure that all expenditures that have been entered into the finance system is taken into account.

Allowable Cost/Cost Principles – Indirect Rate Proposal

Starting FY2020, The internal control will be in place where the signature of the treasurer on the delegation form signifies all forms and schedules have been reviewed.

Anticipated Completion Date: 3/1/2020

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Cynthia Licciardone

Contact Phone Number: 219-873-2131 Ext 8412

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Small Purchases

Purchases from a vendor for services, supplies, and other property with a cost of \$3,500 but less than \$150,000 per year will have three quotes or rate quotations from qualified sources per own purchasing policy. If unable to acquire quotes than a written explanation will be made.

Simplified Acquisition

The School Corporation will be sure to solicit bids for purchases exceeding \$150,000 per own purchasing policy.

Anticipated Completion Date: 3/1/2020

CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Stacy Attar

Contact Phone Number: 219-873-2000 Ext 8326

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Small Purchases

Purchases from a vendor for services, supplies, and other property with a cost of \$3,500 but less than \$150,000 per year will have three quotes or rate quotations from qualified sources per own purchasing policy. If unable to acquire quotes than a written explanation will be made.

Simplified Acquisition

The School Corporation will be sure to solicit bids for purchases exceeding \$150,000 per own purchasing policy.

Suspension and Debarment

All contracted vendors will either be either checked on SAM Exclusions, a certificate collected from that person or a clause or condition will be added to cover transaction with that person for contracts over \$25,000.

Anticipated Completion Date: 3/1/2020

CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Cathy Bildhauser
Contact Phone Number: 219-873-2000 Ext 8325

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Maintenance of Effort & Reporting

All expenditures will be reviewed monthly by the Curriculum, Data & Grants Assistant and signed that the fund, account and object code has been charged correctly for each claim by the Payroll and Finance Manager.

Anticipated Completion Date: 3/1/2020

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/>.