

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**

03/12/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Hilda Damianick	07-01-17 to 06-30-20
Superintendent of Schools	Jeffery Studebaker (Vacant) Michael Berta Nicholas Brown	07-01-17 to 10-06-17 10-07-17 to 10-31-17 11-01-17 to 06-30-18 07-01-18 to 06-30-20
President of the School Board	Thomas Bainbridge Mark Lucas Thomas Bainbridge	07-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 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 MERRILLVILLE COMMUNITY  
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Merrillville Community School Corporation (School Corporation), for the period of July 1, 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 24, 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.

***Merrillville Community School Corporation's 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 24, 2020



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

TO: THE OFFICIALS OF THE MERRILLVILLE COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

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

We have audited the Merrillville Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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)

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019.

**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.

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 and 2019-003, 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.

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)

**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 24, 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 24, 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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 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
<b>Department of Agriculture</b>							
<b>Child Nutrition Cluster</b>							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2017-2018-4600	\$ -	\$ 886,076	\$ -	\$ -
School Breakfast program			2018-2019-4600	-	-	-	770,076
<b>Total - School Breakfast Program</b>				<b>-</b>	<b>886,076</b>	<b>-</b>	<b>770,076</b>
<b>National School Lunch Program</b>							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			2017-2018-4600	-	1,764,289	-	-
National School Lunch Program			2017-2018-4600	-	282,355	-	-
National School Lunch Program			2018-2019-4600	-	-	-	1,487,280
National School Lunch Program			2018-2019-4600	-	-	-	278,779
Commodities			2017-2018-4600	-	282,355	-	-
Commodities			2018-2019-4600	-	-	-	278,779
<b>Total - National School Lunch Program</b>				<b>-</b>	<b>2,328,999</b>	<b>-</b>	<b>2,044,838</b>
<b>Summer Food Service Program for Children</b>							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			2017-2018-4600	-	173,880	-	-
Summer Food Service program for Children			2018-2019-4600	-	-	-	123,055
<b>Total - Summer Food Service Program for Children</b>				<b>-</b>	<b>173,880</b>	<b>-</b>	<b>123,055</b>
<b>Total - Child Nutrition Cluster</b>				<b>-</b>	<b>3,388,955</b>	<b>-</b>	<b>2,937,969</b>
<b>Child and Adult Care Food Program</b>							
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			2017-2018	-	14,473	-	-
Child and Adult Care Food Program			2018-2019	-	-	-	8,393
<b>Total - Child and Adult Care Food Program</b>				<b>-</b>	<b>14,473</b>	<b>-</b>	<b>8,393</b>
<b>Total - Department of Agriculture</b>				<b>-</b>	<b>3,403,428</b>	<b>-</b>	<b>2,946,362</b>
<b>Department of Education</b>							
<b>Special Education Cluster (IDEA)</b>							
Special Education_Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education_Cluster (IDEA)			2016-4600	-	6,004	-	-
IDEA Part B Section 611			2017-4600	-	394,362	-	-
IDEA Part B Section 611			2018-4600	-	1,225,491	-	-
IDEA Part B Section 611			2018-4600	-	-	-	182,302
IDEA Part B Section 611			2019-4600	-	-	-	1,209,596
<b>Total - Special Education_Cluster (IDEA)</b>				<b>-</b>	<b>1,625,857</b>	<b>-</b>	<b>1,391,898</b>
<b>Special Education_Preschool Grants</b>							
Special Education_Preschool Grants	Indiana Department of Education	84.173					
IDEA Part B Section 619			2017-4600	-	19,257	-	-
IDEA Part B Section 619			2018-4600	-	16,094	-	-
IDEA Part B Section 619			2018-4600	-	-	-	21,590
IDEA Part B Section 619			2019-4600	-	-	-	19,012
<b>Total - Special Education_Preschool Grants</b>				<b>-</b>	<b>35,351</b>	<b>-</b>	<b>40,602</b>
<b>Total - Special Education Cluster (IDEA)</b>				<b>-</b>	<b>1,661,208</b>	<b>-</b>	<b>1,432,500</b>

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 1003(a) School Improvement Grant			2016-2017-4600	-	26,435	-	-
Title I Part A			2016-2017-4600	-	566,210	-	-
Title I Part A			2017-2018-4600	-	1,086,940	-	-
Title I 1003(a) School Improvement Grant			2017-2018-4600	-	-	-	74,347
Title I Part A			2017-2018-4600	-	-	-	454,309
Title I Part A			2018-2019-4600	-	-	-	1,094,019
Total - Title I Grants to Local Educational Agencies				-	1,679,585	-	1,622,675
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013					
Title I Part D			2016-2017-4600	-	133,708	-	-
Title I Part D			2017-2018-4600	-	106,810	-	-
Title I Part D			2017-2018-4600	-	-	-	80,889
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	240,518	-	80,889
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
Perkins Basic Grant			2016-2017-4600	-	66,238	-	-
Perkins Basic Grant			2017-2018-4600	-	98,889	-	-
Career and Technical Education Summer Expansion Grant			2017-2018-4600	-	-	-	6,344
Perkins Basic Grant			2017-2018-4600	-	-	-	30,653
Perkins Basic Grant			2018-2019-4600	-	-	-	78,623
Total - Career and Technical Education -- Basic Grants to States				-	165,127	-	115,620
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Part A English Language Acquisition State Grant			2015-2017-4600	-	2,547	-	-
Title III Part A English Language Acquisition State Grant			2016-2018-4600	-	21,277	-	-
Title III Part A English Language Acquisition State Grant			2016-2018-4600	-	-	-	9,829
Title III Part A English Language Acquisition State Grant			2017-2019-4600	-	-	-	1,539
Total - English Language Acquisition State Grants				-	23,824	-	11,368
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			2015-2017-4600	-	114,570	-	-
Title II Part A			2016-2018-4600	-	-	-	110,364
Title II Part A			2017-2019-4600	-	-	-	179,537
Title II Part A			2018-2020-4600	-	-	-	18,205
Total - Supporting Effective Instruction State Grants				-	114,570	-	308,106
Total - Department of Education				-	3,884,832	-	3,571,158
Total federal awards expended				\$ -	\$ 7,288,260	\$ -	\$ 6,517,520

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified Unmodified

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2019-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

*Condition and Context*

The School Corporation did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. An oversight or review process had been put in place; however, the control was not effective and allowed errors to remain on the SEFA.

Due to the lack of effective internal controls, federal expenditures were understated \$650,516 for the Special Education Cluster (IDEA) for fiscal year 2017-2018 and overstated \$669,896 for the Child Nutrition Cluster for 2018-2019. In addition, the Child and Adult Care Food Program expenditures were understated \$14,473 and \$8,393 for 2017-2018 and 2018-2019, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 financial statements. . . ."

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 CFDA number or other identifying number when the CFDA 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 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

*Cause*

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

*Effect*

The failure to establish effective internal controls enabled material misstatements to go 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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
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  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2017-2018-4600, 2018-2019-4600  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Program Income, Special Tests and Provisions - Paid Lunch Equity  
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 Program Income and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Program Income*

The Assistant Food Service Director entered the School Board approved breakfast and lunch prices into the point of sale system without an oversight or review process in place to ensure that the prices were entered correctly.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

The Administrative Assistant completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

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 Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION  
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 listed above. A lack of segregation of duties within an internal control system could have also 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 controls to ensure compliance with the grant agreement and the Program Income and Special Tests and Provisions - Paid Lunch Equity 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: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 2016-2017-4600, 2017-2018-4600,  
2018-2019-4600

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit for Special Tests and Provisions - Assessment System Security. The prior audit finding number was 2017-007.

*Condition and Context*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Assessment System Security compliance requirements.

*Reporting*

The School Corporation had a process in place that an official reviewed the requests for reimbursement (reports) prepared by the Grant Administrator. However, the oversight or review process to ensure the accuracy of the reports to supporting documentation was not evidenced. The lack of controls was a systemic issue throughout the audit period.

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

*Special Tests and Provisions - Assessment System Security*

The School Corporation had not established effective controls over the implementation of required assessment system security for fiscal year 2017-2018. The control established over assessment system security was effective for 2018-2019.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 or implemented a 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 have also 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 grant agreement and the Reporting and Special Tests and Provision - Assessment System Security 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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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-001: Financial Statement Findings***

Fiscal year in which the finding initially occurred: July 1, 2015 - June 30, 2017

Pass-Through Entity, if pass-through or Federal

Grantor Agency, if direct:

Contact Person Responsible for Corrective Action: H. Damianick

Contact Phone Number: (219) 650-5361

Status of Audit Finding: The procedures outlined in the Corrective Action Plan have been implemented.

The ending balances from the prior years' audit are reviewed by the treasurer's designee. The ending balances are compared to the beginning balances of the following year.

The comparison of information is reviewed by the treasurer or designee. If changes are necessary, adjustments are made on the Form 9. The treasurer or designee submits the Form 9 to the IDOE.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-002: Schedule of Expenditures of Federal Awards**

Fiscal year in which the finding initially occurred: July 1, 2015 - June 30, 2017

Pass-Through Entity, if pass-through or Federal

Grantor Agency, if direct:

Contact Person Responsible for Corrective Action: H. Damianick

Contact Phone Number: (219) 650-5361

Status of Audit Finding: Procedures were put in place to review the information entered on the Schedule of Expenditures of Federal Awards, and we are continuing to improve our current procedures.

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### **FINDING 2017-003: Child Nutrition Custer – Internal Controls**

Fiscal year in which the finding initially occurred: July 1, 2015 - June 30, 2017

Pass-Through Entity, if pass-through or Federal

Grantor Agency, if direct:

Indiana Department of Education

Contact Person Responsible for Corrective Action: Colleen Hostetler

Contact Phone Number:

(219) 650-5363

Status of Audit Finding:

#### **Cash Management**

We use the formula provided by the School Nutrition Association. Expenditures from the prior fiscal year are entered in a spreadsheet to calculate the three month average expenditure amount. The cash balances are compared to the calculated amount. If the balance exceeds the average amount, an explanation is provided in the spreadsheet.

#### **Eligibility**

Technology staff set up the F/R Randomized Apps Program in Skyward (student information system). The directors' designee runs this program to generate the list of eligible F/R lunch students, and then runs Excel's RAND function to generate random numbers for each student listed. The random numbers are then sorted and the first 1% of the listed names are selected for verification. Verification of eligibility is completed monthly by the director.

#### **Program Income**

The director's designee runs a monthly activity report, and an income sales and deposit report, and the information is entered into Excel. The assistant director reviews and approves the information. Our documentation is kept on file.

#### **Food Service Account**

The deputy treasurer enters receipts from the monthly income Excel spreadsheet and runs a financial receipt report. The totals on the financial receipt report are verified by the Food Service director or designee and the deputy treasurer. Documentation is available for review.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-004: Child Nutrition Cluster - Procurement**

Fiscal year in which the finding initially occurred: July 1, 2015 - June 30, 2017

Pass-Through Entity, if pass-through or Federal

Grantor Agency, if direct:

Indiana Department of Education

Contact Person Responsible for Corrective Action: Colleen Hostetler

Contact Phone Number:

(219) 650-5363

Status of Audit Finding:

A notice is published in the newspaper to obtain bids for purchases that are \$150,000 or more.

The staff obtains prices/quotes for the purchase of items that fall within the small purchase limits.

The staff does access the SAM website to verify the vendor's suspension/debarment status.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-005: Child Nutrition Cluster - Reporting***

Fiscal year in which the finding initially occurred:	July 1, 2015 - June 30, 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	Indiana Department of Education
Contact Person Responsible for Corrective Action:	Colleen Hostetler
Contact Phone Number:	(219) 650-5363

**Status of Audit Finding:** Food Service staff runs the monthly Summary of Receipts and Expenditures Report and enters the financial information in an Excel workbook. The director reviews and approves the monthly reports. The cumulative information from the workbook is sent to the director for her review and approval. The director completes the annual financial report and submits it. The supporting documentation is kept on file.

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### **FINDING 2017-006: Special Education Cluster (IDEA) - Reporting**

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Brian Snelson

Contact Phone Number: 219-650-5300

Status of Audit Finding: In response to Finding 2017-006, a proper internal control structure was put into place starting with the 2017-18 data collections of the DOE-ES (Discipline Reporting) and the DOE-TR (Special Education Termination) which requires documented review of both reports by multiple parties, thereby segregating duties within the control system.

Local procedures were implemented beginning with the 2017-18 data collection which now require a building administrator to review and sign off on DOE-ES discipline data prior to final data submission. Signed copies of both the In School and Out of School Suspension summary reports are obtained from building administrators to document that the administrator was provided with a copy of their data to review and afforded an opportunity to amend their data prior to the report being finalized if any discrepancies are identified.

Regarding the DOE-TR (Special Education Termination) report, our special education co-operative (NISEC) is now providing the district with full lists of special education students whose services terminated – both with and without personally identifiable information – prior to both data submission periods. Copies of the data with personally identifiable information are encrypted and securely shared via email with the district's director(s) of curriculum for their review and approval prior to final data submission by NISEC. All written correspondence between the director(s) of curriculum, the coordinator of student data services, and NISEC regarding DOE-TR data submissions are retained to ensure the implemented measures continue to be met with fidelity.

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### **FINDING 2017-007: Title I Grants to Local Educational Agencies – Internal Controls**

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Deborah Van Slyke

Contact Phone Number: 219-650-5300 x7563

#### Status of Audit Finding: **Eligibility**

In the spring of 2018, the school corporation put into place controls to ensure individual student eligibility determinations are assessed properly and that an oversight or review process over the individual eligibility reports has been established.

Documentation of compliance includes the following:

1. Physical evidence of midyear and end of year Title I tag reviews are located in each school's Title I Binder under "selection".
2. On each schools fall and winter selection sheet, information provided in the "Tag Check" column indicates the student's eligibility has been reviewed by the Program Director and corrected as needed.

#### **Special Tests and Provisions - Assessment System Security**

In the spring of 2018, the school corporation put into place controls to ensure that all individuals who come into contact with any tests administered under the Indiana Assessment System are properly trained.

Documentation of compliance includes the following:

1. Test security emails from the Corporation Testing Coordinator to the School Test Coordinators/Principals regarding Test Security and Integrity Training process to ensure all staff are trained and that documentation is kept.
2. Physical evidence of Test Security and Integrity Training for all staff (attendance sheets, agendas, PowerPoints, signed Test Security and Integrity Agreements)

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-008**

Fiscal year in which the finding initially occurred: July 1, 2015 through June 30, 2017

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

Contact Person Responsible for Corrective Action: M. Taylor

Contact Phone Number: (219) 650-5321

Status of Audit Finding: The High School staff implemented procedures to ensure adequate documentation is received to support a student's removal/withdrawal from a cohort. The Student Withdrawal Report Form has been updated to include the most current State Withdrawal Codes as well a high school administrator's signature for approval.

The procedures for removal/withdrawal from a cohort are as follows:

- 1) The student and/or parent complete the Withdrawal Report Form with the assistance of the attendance secretary.
- 2) The student and/or parent meet with the principal or an assistant principal to review the Withdrawal Report Form and complete the Exit Interview Form.
- 3) The attendance secretary scans the forms into the student management system.
- 4) The original forms are hand delivered to the Registrar who then completes transfer requests and verifications to receiving schools.
- 5) The original documents are filed in the student's permanent record.

If a student stops attending school and does not come in to complete the process, the following procedures are followed:

- 1) The attendance secretary attempts to contact the parent via phone calls, emails and certified letters.
- 2) The attendance secretary searches the STN site to determine if the student is attending another high school.
- 3) Continual effort is made to contact the parents.
- 4) Once the parent is reached, the above procedures are followed.
- 5) If the school is unable to reach the parent, the Student Withdrawal Report is completed by the principal or assistant principal and withdrawal codes 14 (Unknown No Show Age 18+) or 15 (Truancy – Underage No Show) are used.
- 6) When the school is unable to contact the parent, reports are made to DCS, CMC and Merrillville Truancy Court.

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## CORRECTIVE ACTION PLAN

### **FINDING 2019-001**

Contact Person Responsible for Corrective Action: H. Damianick  
Contact Phone Number: (219) 650-5300

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To improve our internal controls, we are revising our procedures to check and verify the information entered on the SEFA.

Anticipated Completion Date: July 1, 2020

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Mark S. Lucas  
Secretary

James Donohue  
Member

Linda C. Jonaitis  
Member

## CORRECTIVE ACTION PLAN

### **FINDING 2019-002**

Contact Person Responsible for Corrective Action: Colleen Hostetler  
Contact Phone Number: 219-650-5363

Views of Responsible Official: We concur with the findings.

### Description of Corrective Action Plan

### Program Income

When the Assistant Food Service Director enters the board approved meal prices in the point of sale system, she will email the cafeteria managers the board notes to view them. They will look over the new prices in the system and email back to the assistant director that they are correct. These will be kept on file in the food service department.

### Special Tests Provisions – Paid Lunch Equity

The Administrative Assistant will fill out the Paid Lunch Equity tool, will attach the documentation with it and sign off on it. The Food Service Director will then review and approve the information.

Anticipated Completion Date:

July 1, 2020

*"Every child. Every day. Whatever it takes."*



# MERRILLVILLE COMMUNITY SCHOOL CORPORATION

6701 Delaware Street, Merrillville, IN 46410-3586  
(219) 650-5300 FAX (219) 650-5320  
www.mvsc.k12.in.us

## ADMINISTRATION

Nicholas G. Brown, Ed.S.  
Superintendent

Hilda Damianick  
Ass't Superintendent  
Business Affairs

Dexter Suggs, Ph.D.  
Ass't Superintendent  
Teaching, Learning &  
Academic Programming

Reid Amones, Ed.D.  
Executive Director  
Personnel

Danny Lackey, Ed.D.  
Executive Director  
Student Support Services

Marnita Taylor, Ed.S.  
Executive Director  
Curriculum & Instruction  
Pre-K - 12

James Thorne, Ph.D.  
Executive Director  
Technology Services

Danielle Azcona  
Director Transportation

Amy Beckham  
Co-Athletic Director  
Director Wellness Services

Brad Best  
Director Security

Janelle Bowen  
Director Media Services

Patricia Cunningham  
Director Health Services

Gregory Griffith  
Director  
Building and Grounds

Colleen Hostetler  
Director  
Food Services

Janis Qualizza  
Athletic Director

## BOARD OF SCHOOL TRUSTEES

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Member

James Donohue  
Member

## CORRECTIVE ACTION PLAN

### **FINDING 2019-003:**

Contact Person Responsible for Corrective Action: Deborah Van Slyke  
Contact Phone Number: 219-650-5300 x 7563

Views of Responsible Official: We concur with the finding.

### Description of Corrective Action Plan:

Effective immediately, the School Corporation will put into place controls to ensure that an official review of requests for reimbursement (reports) prepared by the Grant Administrator has occurred. The oversight or review process will ensure the accuracy of the reports as compared to supporting documentation.

The School Corporation will continue to maintain its controls to ensure that all individuals who come into contact with any tests administered under the Indiana Assessment System are properly trained.

Anticipated Completion Date: July 1, 2020

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## OTHER REPORTS

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