

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL TOWN OF MUNSTER

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
06/10/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janice Swanson Sherie Breitenbach	07-01-18 to 10-31-18 11-01-18 to 06-30-21
Superintendent of Schools	Jeffrey Hendrix	07-01-18 to 06-30-21
President of the School Board	Ingrid Schwarz Wolf John J. Doherty Ingrid Schwarz Wolf John J. Doherty	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-21



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 SCHOOL TOWN OF MUNSTER, 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 School Town of Munster (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated May 17, 2021, 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 2020-001, that we consider to be material weaknesses.

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

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 2020-001.

School Town of Munster'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

May 17, 2021



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 SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School Town of Munster'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, 2018 to June 30, 2020. 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. Except as discussed below, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2020-002 and 2020-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment/Real Property Management and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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 2020-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Earmarking 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 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the period of July 1, 2018 to June 30, 2020.

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, 2018 to June 30, 2020.

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 items 2020-004 and 2020-006. 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 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated May 17, 2021, 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

May 17, 2021

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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.

SCHOOL TOWN OF MUNSTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	SY 2018-2019	\$ -	\$ 29,922	\$ -	\$ -
School Breakfast Program			SY 2019-2020	-	-	-	20,719
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	SY 2019-2020	-	-	-	1,802
School Breakfast Program							
Total - School Breakfast Program				-	29,922	-	22,521
National School Lunch Program	Indiana Department of Education	10.555	SY 2018-2019	-	137,211	-	-
National School Lunch Program-Commodities			SY 2018-2019	-	420,020	-	-
National School Lunch Program			SY 2019-2020	-	-	-	298,344
National School Lunch Program-Commodities			SY 2019-2020	-	-	-	117,999
Subtotal - National School Lunch Program				-	557,231	-	416,343
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	SY 2019- 2020	-	-	-	24,793
National School Lunch Program							
Total - National School Lunch Program				-	557,231	-	441,136
Total - Child Nutrition Cluster				-	587,153	-	463,657
Total - Department of Agriculture				-	587,153	-	463,657
Department of Education							
Special Education Cluster (IDEA)							
Special Education - Grants to States	Indiana Department of Education	84.027	18611-062-PN01	-	309,473	-	-
Special Ed. Part B			19611-062-PN01	-	664,800	-	179,918
Special Ed. Part B			20611-4740-PN01	-	-	-	726,671
Special Ed. Part B FY20							
Total - Special Education - Grants to Schools				-	974,273	-	906,589
Special Education - Preschool Grants	Indiana Department of Education	84.173	18619-062-PN01	-	28,106	-	-
Special Education Preschool Grant			19619-062-PN01	-	6,006	-	4,991
Special Education Preschool Grant							
Total - Special Education - Preschool Grants				-	34,112	-	4,991
Total - Special Education Cluster (IDEA)				-	1,008,385	-	911,580
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A170014	-	93,591	-	-
Title I FY2017-18			S010A180014	-	134,075	-	111,674
Title I FY2018-19			S010A190014	-	-	-	186,565
Title I FY2019-20							
Total - Title I Grants to Local Educational Agencies				-	227,666	-	298,239

SCHOOL TOWN OF MUNSTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Lang/LEP 2018-20			S365A180014	-	12,031	-	1,233
Title III Part A-Eng Lang AQUI 2016-18			01117-056-PN01	-	718	-	-
Title III Part A-Eng Lang AQUI			01118-054-PN01	-	2,130	-	-
Title III Part A-Eng Lang AQUI			S365A190014	-	-	-	14,831
Total - English Language Acquisition State Grants				-	14,879	-	16,064
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A 2016-18			S367A160013	-	15,989	-	-
Title II Part A 2017-19			S367A170013	-	20,734	-	41,326
Title II Part A 2018-20			S367A170013	-	7,175	-	39,348
Title II Part A 2019-21			S367A190013	-	-	-	5,571
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	43,898	-	86,245
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 18-20			S424A180015	-	90	-	12,656
Title IV Part A FFY19-2019-21			S424A190015	-	-	-	5,599
Total - Student Support and Academic Enrichment Program				-	90	-	18,255
Total - Department of Education				-	1,294,918	-	1,330,383
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid			FY2019	-	31,244	-	-
Medicaid			FY2020	-	-	-	19,952
INMAC			FY2020	-	-	-	6,600
INMAC			FY2019	-	4,638	-	-
Total - Medical Assistance Program				-	35,882	-	26,552
Total - Medicaid Cluster				-	35,882	-	26,552
Total - Department of Health and Human Services				-	35,882	-	26,552
Total federal awards expended				\$ -	\$ 1,917,953	\$ -	\$ 1,820,592

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

SCHOOL TOWN OF MUNSTER
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, 2019 and 2020. 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 was 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. The activity is reported on the financial statement of the Cooperative. The School Corporation withdrew from the Cooperative effective June 30, 2019, with payroll paid by the Cooperative through August 31, 2019.

SCHOOL TOWN OF MUNSTER
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>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Qualified

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 2020-001

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

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. An oversight and review process had been designed, implemented, and documented; however, the internal control was not effective and did not detect and allow for correction of errors prior to submission.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The Child Nutrition Cluster - National School Lunch Program (CDFA #10.555) commodities were overstated by \$76,877 and \$152,334 as of June 30, 2019, and June 30, 2020, respectively.
2. Multiple program titles were not reported correctly.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements . . ."

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

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 an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Child Nutrition Cluster - Equipment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY2018-2019, SY2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment/Real Property Management

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 2018-005.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the equipment requirements of the Equipment/Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with 2 CFR 200.313. The School Corporation had not created an internal control system to ensure adequate safeguards to prevent loss, damage, or theft of the property.

The School Corporation did not comply with the equipment requirements. A complete list of equipment acquired with federal awards was not maintained. Also, the equipment inventory was determined to be incomplete. The inventory did not identify equipment purchased with federal awards.

The School Corporation was required to maintain property records and perform a physical inventory with the results reconciled with the property records at least once every two years. A reconciled physical inventory was not provided for audit.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . ."

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

- (1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

Cause

Management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment/Real Property Management compliance requirement.

Effect

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the equipment requirements of the Equipment/Real Property Management 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 2020-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY2018-2019, SY2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation contracted with a food service management company (FSMC) for the operation of the food service program. The School Corporation did not have policies or procedures to ensure compliance with procurement requirements to verify that the invoices submitted to the School Corporation were those actually paid by the FSMC, or to ensure that the FSMC invoices included credits, for any discounts, rebates, or other credits. The School Corporation did not request, nor did the FSMC provide, documentation to verify that the invoices received by the School Corporation encompassed the same invoices that were paid by the FSMC and that the products charged were received. The School Corporation also did not verify the return of discounts, rebates, or credits from the FSMC.

The lack of internal controls and noncompliance were systemic issues throughout the food service management company contract period during the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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). . . ."

7 CFR 210.21(f)(vi) states: "The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

Cause

Management had not established 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 internal control system enabled noncompliance to go undetected. Non-compliance with the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment 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 internal controls to ensure compliance and comply with the procurement requirements of 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 2020-004

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): SY2018-2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was assessed properly. Food prices for each school year were entered into the student lunch system without any oversight or review. In fiscal year 2018-2019, the rates charged for reduced breakfast, paid elementary, middle school, and high school breakfast, and adult breakfast and lunch did not agree to the School Board approved rates. This resulted in the School Corporation collecting an additional \$3,672 in program income.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program sales were properly recorded in the Prepaid School Lunch fund, and, subsequently, transferred to the School Lunch fund. The lack of internal controls resulted in \$46,720 of program income not being transferred from the Prepaid School Lunch fund to the School Lunch fund in 2018-2019.

The lack of internal controls and noncompliance were isolated to 2018-2019.

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). . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(3) Price the breakfast as a unit; . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

7 CFR 210.14(e) states in part: "Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph. . . ."

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

Cause

Management had not established a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an internal control system enabled noncompliance to go undetected. Non-compliance with the grant agreement and the program income requirements 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 internal controls to ensure compliance and comply with the Program Income 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 2020-005

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY2018-2019, SY2019-2020

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2018-002.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation entered into a cost-reimbursement contract dated September 28, 2018, with a food service management company. The School Corporation had not designed or implemented adequate internal controls or policies and procedures to ensure that program costs were supported by proper documentation and to ensure that the costs were allowable for only the operation of the food service program.

The School Corporation had not designed or implemented adequate internal controls or policies and procedures to ensure that payroll related program costs were supported by proper documentation and to ensure that the costs were allowable for only the operation of the food service program.

Eligibility

The School Corporation used a food service software, which automatically made the eligibility determination dependent upon the information entered in the software by the parents, guardians, or school food service staff. However, the School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered in the software program were accurate. The Assistant Food Service Director was responsible for running the direct certification match report monthly from the Indiana Department of Education and uploading it to the school lunch system. The School Corporation did not have a proper system of oversight or review to ensure that all students on the direct certification match report were entered accurately in the software system.

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

The contracted Assistant Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review by the School Corporation.

Special Tests and Provisions - School Food Accounts

A school food account had been established for the School Corporation; however, an oversight or review process of the amounts recorded in the school food account had not been established.

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

SCHOOL TOWN OF MUNSTER
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

Management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an 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 internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-006

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 18611-062-PN01, 19611-062-PN01,
18619-062-PN01, 19619-062-PN01,
20611-4740-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

West Lake Cooperative

The School Corporation was a member of a special education cooperative (Cooperative) in fiscal year 2018-2019. The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Two employees of the Cooperative did not have adequate supporting documentation for their time spent on federal program activities. One employee worked solely on grant activities without proper documentation to support their time. We were able to verify this employee's job duties were solely for special education. One employee worked with special education students and general education students without proper documentation to support their time spent on federal program activities. The amount charged to the federal program of \$25,408 are considered questioned costs.

School Town of Munster

The contract with the special education cooperative (Cooperative) was terminated, and the School Corporation operated the special education programs beginning July 1, 2019. One employee worked solely on program activities and maintained detailed time and effort logs; however, the employee was not paid from the special education program funds according to their time spent on each programs' activities. In 2019-2020, wages totaling \$12,674 were paid to the employee from the Special Education Grants to States program that should have been paid from the Special Education Preschool Grants program. The \$12,674 are considered questioned costs.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

SCHOOL TOWN OF MUNSTER
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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(iv) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation had not established a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an internal control system enabled noncompliance to go undetected. Non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$38,082 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and maintain adequate supporting documentation to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2020-007

Subject: Special Education Cluster (IDEA) - Earmarking
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): 18611-062-PN01, 18619-062-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the earmarking requirement.

The School Corporation and the Cooperative did not maintain adequate supporting documentation used to calculate the amount of special education and related services that were provided to students in nonpublic schools and facilities for grants 18611-062-PN01 and 18619-062-PN01. Payroll amounts included in the calculation were based upon estimated percentages at the beginning of the grant instead of the actual time spent at the nonpublic schools. Due to the lack of supporting documentation to determine if the transactions were properly classified as nonpublic school expenditures, we were unable to determine compliance with the earmarking requirements.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and noncompliance were isolated to the 18611-062-PN01 and 18619-062-PN01 grants expended in fiscal year 2018-2019.

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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed, . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

The School Corporation had not established an effective system of internal controls to ensure compliance with the grant agreement and the earmarking requirement of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to maintain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and maintain adequate supporting documentation to ensure compliance with the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: July 1, 2014 to June 30, 2016 & July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken

FINDING 2018-002

Fiscal year in which the finding initially occurred: July 1, 2014 to June 30, 2016 & July 1, 2016 to June 30, 2018

Status of Audit Finding:

Eligibility: Two times within a school year the Business Office is going to go on the USDA website and print out the Federal Register with the income guidelines and compare to what is on the Food Service application system. One of the times is going to be after the Technology Staff has rolled all the student systems for the new school year and the second time is going to be about halfway thru the school year.

Fixed & Partially fixed:

The amounts are only given out once, so would only be checking one time. We would look after the Technology Staff has rolled everything over. The Business Office employee did go on the USDA and compare but did not keep or sign any of the items.

We have let the new Business Office employee know that they have to print, sign, and keep in a fill. That is going to start for the 2021-2022 school year.

Program Income: Corporation Treasurer has a excel spreadsheet of the yearly revenue, expenditure, gain or loss, and fund balance. Corporation Treasurer has a excel spreadsheet tracking a three-month balance per the SBOA way. Corporation Treasurer sends monthly revenue and expenditure reports over to Food Service. At the end of the day the cashier counts cash drawer, gives to kitchen supervisor, and the kitchen supervisor counts all draws, balances to reports, writes up the deposit ticket, and gives locked bank bag to the ECA Treasurer. The ECA Treasurer takes the bank bag to the bank to make the deposit. When back the ECA Treasurer receipts into the system and gives back to kitchen supervisor. The end of the month the ECA Treasurer makes sure balances with Food Service Manager.

Fixed/In Progress:

Started sending monthly reports in December 2018 and went back to July 2018 to Food Service. Started and went back to 2000 on the excel spreadsheets in December 2018. School is working on a control to double check receipts from daily deposits and check on student prices entered into computer correct.

Reporting: When the Annual Financial report is completed is going to be done by Food Service and reviewed and submitted by the Corporation Treasurer. There was no documentation that an oversight or review process had been established to ensure the accuracy of the School Food Authority (SFA) Verification Collection Reports (Verification Summary Reports) prior to submission.

Fixed/In Progress:

Starting with the 2018-2019 Annual Financial report. School Corporation is working on a control for Verification Summary Reports.

Special Tests and Provisions: Verification of Free and Reduced-Price Applications are going to be done and entered by the Food Service Manager and checked over by Director of Dining Services and initials. The Deputy Treasurer/Accounts Payable or New employee will review the verified applications set by DOE that must be review in a school year and date and initial. All the applications are going to be keep in a file.



In Progress:

Started with the 2019-2020 school year. School Corporation is working on a control to have an School Town of Munster employee check the verified applications.

Special Test and Provisions-Paid Lunch Equity-National School Lunch Program Only: We are going to have the Director of Dining Services complete the PLE. They are going to bring everything over to the Corporation Treasurer or Director of Financial Operations to go over and both parties sign off. Then the proper memo be taken to the School Board by Corporation Treasurer of Director of Financial Operations.

Fixed:

Started with the 2019-2020 school year.

FINDING 2018-003

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken

FINDING 2018-004

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken

FINDING 2018-005

Fiscal year in which the finding initially occurred: July 1, 2014 to June 30, 2016 & July 1, 2016 to June 30, 2018

Status of Audit Finding:

Description of Corrective Action Plan: Capital Assets

We are going to have a company come in and update and complete a capital asset inventory. We are going to have an inventory sheet to be completed by each kitchen supervisor. The inventory sheet is going to be keep in the Food Service office and a copy sent over to the Deputy Treasurer/Accounts Payable.

Fixed/In Progress:

We hired a new capital asset company to come in and inventory all the buildings. With that we did not have kitchen Supervisor complete an inventory sheet. We have our Assistant to Food Service & Exceptional Needs track and an communicate with the inventory company. When it comes to computers and vehicles we also have the departments track the asset. School Corporation is going to add to the asset company to track and have extra report for Federal Funded purchases.

FINDING 2018-006

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken

FINDING 2018-007

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:



Corrective Action was taken

FINDING 2018-008

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken

FINDING 2018-009

Fiscal year in which the finding initially occurred: July 1, 2016 to June 30, 2018

Status of Audit Finding:

Corrective Action was taken



CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. We concur with part of the finding.

Description of Corrective Action Plan:

We have the SEFA looked over by another STM employee and signed before submitted. We have all the backup paperwork (grant approval letter with all the SEFA information listed, ledgers from financial system. Have just found out about a website the auditor uses. We are going to add to the current process to go out to the website (beta.sam.gov) to compare the information on the grant approval letters. We are going to check with School Nutrition and Director of Dining Services on the commodities.

Anticipated Completion Date:
August 2021

FINDING 2020-002

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. We concur with part of the finding.

Description of Corrective Action Plan

We hired a new company to come in and complete a new inventory. We have our Maintenance keep a vehicle list and Technology keep a computer list of assets. On the list of our Maintenance (vehicle list) and Technology (computer list) they have marked the assets purchased with federal funds. We are all good with the procedure we have. What we are missing per the Federal Audit is another list by its self of the assets purchased with federal funds. We are going to ask the asset company to add a column to the reports and mark federal funds and ask to have a separate report showing only the assets purchased with federal funds.

Anticipated Completion Date:
September 2021



FINDING 2020-003

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. We concur with part of the finding.

Description of Corrective Action Plan

We have in place procedures for viewing and going over invoices. We meet on a monthly basis with Chartwells. When we receive the invoice, operating ledger, and PL specialty reports we compare and if we have any questions call the Director of Dining Services to clear all up. We take the operating ledger and mark a few invoices to be sent over to STM for us to view and keep in a file. What we have in place is not good enough for the auditors. We have to have 100% of all invoices and expenses charged here at Central Office in a file.

Anticipated Completion Date:

We are going to start with the 2021-2022 school year.

FINDING 2020-004

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. We concur with the finding.

Description of Corrective Action Plan:

The findings are from the beginning of the 18-19 school year. We have new people and updating some procedures. We complete the PLE calculator and set our school lunch prices. We take the recommend school lunch prices to the school board for approval. When the school board has approved the school lunch prices we send over to the Director of Dining Services. They enter the school lunch prices into the system. We currently are checking that the prices are correct when processing the first monthly claim to the State. We are going to change that process. We are going to have a STM employee go on the system and check that the prices entered match the approved lunch prices. We are going to have the STM employee take a picture of the computer screen and attach to the approved school lunch prices and sign. They are going to keep all the paperwork in a file and also scan a copy to the Director of Dining Services.

The school started a Prepaid School Fund and it has been a procedure in the working. With all the changes and policies on meals and student accounts and COVID-19 the process has been slow. We have a process in place to get all worked out and cleared up. We are going to complete the process of closing out a school on student food service accounts.

Anticipated Completion Date:

Be complete by the start of the 2021-2022 school year.



FINDING 2020-005

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. We concur with the finding.

Description of Corrective Action Plan:

We are going to have the Director of Dining Services or Assistant Director of Dining Services sign a report of the STM employees who work in food service for each pay period.

We are going to have the Director of Dining Services or Assistant Director of Dining Services pull the federal income guidelines from the STN application and send to an STM employee. The STM employee is going to log on to the system and make sure the federal income guidelines are correct in the system. They are going to send an email back to the Director of Dining Services or Assistant Director of Dining Services that all is correct in the system.

When the Assistant Director of Dining Services pulls the direct certification and uploads to the Nutrikids they are also going to send the file to a STM employee. The STM employee is going to log in to Nutrikids and spot check some students to make sure coded correctly. They are going to send an email back to Assistant Director of Dining Services that they have checked a few students and all is good.

When the Assistant Director of Dining Services uploads the online applications put in the system by the parents. They are going to print out the applications and check that they are all figured correctly. They are going to keep in a file and an STM employee is going to spot check the applications each month.

When the system does a random pull of applications to be verified. The Assistant Director of Dining Services is going to get the letters and information ready to go out. When the parents send back the documentation to verify the information on the application is correct. The Assistant Director of Dining Services and STM employee are going to check that all is correct on the application and the system. The school system is currently having the funds received and the funds expended from the Food Service Fund reviewed by balancing the month, balancing cash/fund, all claims approved each month by the Corporation Treasurer and School Board. We are going to start printing the financial ledger for the Food Service Fund each month and having the Corporation Treasurer and another STM employee sign the report. We are going to keep the report with the monthly balance paperwork.

Anticipated Completion Date:

Start with the 2021-2022 school year.

FINDING 2020-006

Contact Person Responsible for Corrective Action: Sherie Breitenbach
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. School Town of Munster was not the LEA for the Cooperative.

We concur with part of the finding

Description of Corrective Action Plan:

The Special Education Cooperative was terminated July 2019. School Town of Munster started operating on its own in July 2019. We have employee who is paid 100% from the grants. The employees detailed time and effort logs are not matching the grant funds within the audit period. When the Cooperative was terminated had part of a grant left and the amount we receive in pre-school is a very small amount. That is why have a difference for the audit.



Anticipated Completion Date: Completed

FINDING 2020-007

Contact Person Responsible for Corrective Action: Sherie Breitenbach

Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period has past employees that were responsible for the corrective action who have retired or left the school. Starting on 11-01-2018 we have all new people, the last audit was not done/complete until March 30, 2019. That gave us a little over a year to make changes. We could not have had the changes in place for the first part of the audit period. School Town of Munster was not the LEA for the Cooperative.

We concur with part of the finding

Description of Corrective Action Plan:

The Special Education Cooperative was terminated July 2019.

Anticipated Completion Date: Completed

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/>.