

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/02/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Alex Newman	07-01-18 to 06-30-21
Superintendent of Schools	Dr. A. Dean Speicher Wayne Barker	07-01-18 to 06-30-19 07-01-19 to 06-30-21
President of the School Board	Richard C. Currey Holly Parks	07-01-18 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 CITY OF MISHAWAKA, ST. JOSEPH 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 City of Mishawaka (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 27, 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 City of Mishawaka'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 27, 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 CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School City of Mishawaka'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. 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.

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, 2018 to June 30, 2020.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002. 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.

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 and 2020-003, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated May 27, 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
Paul D. Joyce, CPA
State Examiner

May 27, 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 CITY OF MISHAWAKA
 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			SY 2018-2019	\$ -	\$ 349,644	\$ -	\$ -
School Breakfast			SY 2019-2020	-	-	-	263,391
COVID-19 - School Breakfast Program		10.553					
School Breakfast Program			SY 2019-2020	-	-	-	138,327
Total - School Breakfast Program				-	349,644	-	401,718
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			SY 2018-2019	-	1,640,669	-	-
National School Lunch Program			SY 2019-2020	-	-	-	1,229,100
National School Lunch Commodities			SY 2018-2019	-	205,391	-	-
National School Lunch Commodities			SY 2019-2020	-	-	-	190,230
Sub -Total - National School Lunch Program				-	1,846,060	-	1,419,330
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			SY 2019-2020	-	-	-	260,671
Total - National School Lunch Program				-	1,846,060	-	1,680,001
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			SY 2018-2019	-	37,722	-	-
Summer Food Service Program			SY 2019-2020	-	-	-	50,411
Total - Summer Food Service Program for Children				-	37,722	-	50,411
Total - Child Nutrition Cluster				-	2,233,426	-	2,132,130
Child Nutrition Discretionary Grants Limited Availability Equipment Assistance for Food Authority	Indiana Department of Education	10.579	7182017IN810342	-	-	-	55,895
Total - Department of Agriculture				-	2,233,426	-	2,188,025
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY 2017 Federal Part B 611 Grant			14217-039-PN01	-	27,041	-	-
FY 2018 Federal Part B 611 Grant			18611-039-PN01	-	1,107,886	-	62,124
FY 2019 Federal Part B 611 Grant			19611-039-PN01	-	37,211	-	1,321,246
FY 2020 Federal Part B 611 Grant			20611-037-PN01	-	-	-	14,463
Total - Special Education Grants to States				-	1,172,138	-	1,397,833
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2018 Special Education Preschool Grant			18619-036-PN01	-	15,503	-	-
FY 2019 Special Education Preschool Grant			19619-039-PN01	-	37,897	-	15,569

SCHOOL CITY OF MISHAWAKA
 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
FY 2020 Special Education Preschool Grant			20619-037-PN01	-	-	-	33,830
Total - Special Education Preschool Grants				-	53,400	-	49,399
Total - Special Education Cluster (IDEA)				-	1,225,538	-	1,447,232
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A 2017-2018			#18-7200 / S010A170014	-	282,795	-	-
Title I 1003 (a) Tier II School Improvement			S010A170014	-	8,130	-	-
Title I Part A 2018-2019			S010A180014	-	1,165,707	-	161,602
Title I Part A 2019-2020			S010A190014	-	-	-	1,049,555
Total - Title I Grants to Local Educational Agencies				-	1,456,632	-	1,211,157
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Part A 2017-2019			01118-080-PN01	-	735	-	299
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality 2017-2018			S367A160013	-	6,541	-	-
Title II Improving Teacher Quality 2018-2019			S367A170013	-	132,779	-	6,568
Title II Improving Teacher Quality 2018-2020			7000-S367A180013	-	36,364	-	78,529
Total - Supporting Effective Instruction State Grants				-	175,684	-	85,097
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV 2018-2019			2018-424-238	-	94,164	-	7,330
Title IV 2019-2020			2019-424-238	-	-	-	15,426
Total - Student Support and Academic Enrichment Program				-	94,164	-	22,756
Total - Department of Education				-	2,952,753	-	2,766,541
Department of Health and Human Services							
Medicaid Cluster							
Medicaid Assistance Program	Indiana Department of Education	93.778					
Medicaid Administrative Claiming			SY 2018-2019	-	181,306	-	-
Medicaid Administrative Claiming			SY 2019-2020	-	-	-	180,682
IEP Services	Family and Social Services Administration		SY 2018-2019	-	112,308	-	-
IEP Services			SY 2019-2020	-	-	-	135,348
Total - Medicaid Cluster				-	293,614	-	316,030
Maternal and Child Health Services Block Grant to the States	Indiana State Department of Health	93.994					
Title V - Maternal & Child Health			40093994TITLV19	-	-	-	62
Total - Department of Health and Human Services				-	293,614	-	316,092
Total federal awards expended				\$ -	\$ 5,479,793	\$ -	\$ 5,270,658

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

SCHOOL CITY OF MISHAWAKA
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.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	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 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 did not properly review the federal grant information prepared and submitted to Gateway. An oversight and review had been designed, implemented, and documented; however, the internal control was not effective and did not detect and correct errors on the SEFA.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of effective internal controls, the SEFA presented for audit understated the Medicaid Cluster expenditures for the audit period by \$293,614 and \$316,030 in fiscal years 2018-2019 and 2019-2020, respectively.

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

Criteria

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

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

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

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

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 . . ."

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."

SCHOOL CITY OF MISHAWAKA
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 controls that would ensure 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*.

Views of Responsible Officials

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

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): S010A180014, S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not comply with the special tests and provisions - annual report card, high school graduation rate requirement. For the students removed from the high school cohort graduation rate for mobility reasons, written documentation was required to support that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, emigrated to another country, or was deceased. Students did not have supporting documentation that substantiated their removal from the cohort for mobility reasons for 3 of 10 students tested.

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:

(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). . . ."

20 USC 7801(23)(B) states:

"To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased."

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 an effective system of internal controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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: 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): S010A180014, S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

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 Eligibility compliance requirement.

Summary data of nonpublic enrollment and poverty was sent to the School Corporation by participating nonpublic schools. A process of review of the nonpublic enrollment and poverty status was established; however, documentation of the review was not maintained for audit.

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

SCHOOL CITY OF MISHAWAKA
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 a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement. Noncompliance with the grant agreement or the Eligibility 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 an effective system of internal controls to ensure compliance and comply with the grant agreement and the Eligibility compliance requirement.

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.



SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal Year in which the finding initially incurred: 2018

Contact person responsible for Corrective Action: Alex Newman, Chief Financial Officer

Contact Phone Number: 574-254-4503

Status of Audit Finding:

Corrective Action has taken place.

Check Registers associated with the payment of fringe benefits are now emailed to the Account Payable Specialist following the docket run. A/P prints these Check Registers and includes them with the other Check Registers from the normal A/P docket. Totals are added together and signed by the Chief Financial Officer. Once verified, the Check Registers and Summary document are included on the agenda for approval at the next Board Meeting.

Administrative Center

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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal Year in which the finding initially incurred: 2018

Contact person responsible for Corrective Action: Peggy Baer, Director of Food Service

Contact Phone Number: 574-254-4508

Status of Audit Finding:

Corrective Action has taken place.

Payroll Reports are provided to the Food Service Director after Payroll has been completed, to ensure employees charged to the Food Service fund are correct. If any employees were charged incorrectly, the Controller and Payroll Coordinator are notified and correcting entries are made.

The parameters associated with Free & Reduced eligibility are printed from the Nutrikids software each school year, compared to the state figures, and verified for accuracy by the Director of Food Service. The printed reports are signed to document the review occurred.

Adjusting entries made by the Controller are shared with the Director of Food Service monthly to ensure they are accurate. Once the Administrative Assistant for Food Service completes the monthly revenue and expenditure reports, the Director of Food Service signs the reports to document that a review occurred.

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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2018-003

Fiscal Year in which the finding initially incurred: 2018

Contact person responsible for Corrective Action: Peggy Baer, Director of Food Service

Contact Phone Number: 574-254-4508

Status of Audit Finding:

Corrective Action has taken place.

The Administrative Assistant for Food Service tracks expenditures by vendor on a spreadsheet. The spreadsheet is used by the CFO and Director of Food Service to ensure we are following the requirements in regard to the procurement of small purchases. This document is reviewed monthly by the CFO and Director of Food Service.

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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal Year in which the finding initially incurred: 2018

Contact person responsible for Corrective Action: Kory Labonne, Director of School Services

Contact Phone Number: 574-254-4532

Status of Audit Finding:

Corrective Action has taken place.

The Corporation Test Coordinator (CTC) implemented an effective, secondary internal control system to ensure that proper employees received the Indiana Security and Integrity training and corresponding Agreement Form. The control includes a tracking log of all staff required to complete the training under the requirements set forth by the Indiana Department of Education. All primary mandates as outlined in the Indiana Assessment Policies, Administration, and Security Manual we followed accordingly.

Signature

Title

Date

Administrative Center

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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2018-005

Fiscal Year in which the finding initially incurred: 2018

Contact person responsible for Corrective Action: Alex Newman, Chief Financial Officer

Contact Phone Number: 574-254-4503

Status of Audit Finding:

Corrective Action has taken place.

Proper documentation is included to support any transfer of expenditures within Special Education grant funds made by the Controller. This documentation is provided in a way that proves expenditures took place during the period of performance. The CFO and Director of Special Education review and sign off on any transfer of expenditures. The signed documentation is kept within the Grant folders for future review.

Signature

Title

Date

Administrative Center

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Alex M. Newman, Chief Financial Officer

Contact Phone Number: (574) 254-4503

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The State Board of Accounts (SBOA) asked that school corporation not include Medicaid Reimbursements on the Schedule of Federal Awards (SEFA). The School Corporation then removed it from the SEFA moving forward.

A directive from the SBOA was then issued at a later date indicating they now wanted Medicaid Reimbursements listed on the SEFA. This one-time directive was overlooked by the CFO and Controller, and Medicaid reimbursements weren't added back. Moving forward, any directives from the SBOA will be printed and reviewed in our monthly meetings, to ensure guidance from the SBOA is being followed.

Anticipated Completion Date: June 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-002

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Contact Person Responsible for Corrective Action: Kory A. LaBonne, Director of School Services and Assessment (Federal Grants Director)

Contact Phone Number: (574) 254-4532

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

For the students removed from the high school cohort graduation rate for mobility reasons, the School Corporation will gather all appropriate written documentation, as required by the Indiana Department of Education, to support that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased.

The Corrective Action Plan will also include professional learning/training to ensure all appropriate personnel are educated on the required written documentation. An additional control in the form of an SCM Withdraw Form will also be documented and signed by an administrator anytime a student is removed from the high school cohort graduation rate for mobility reasons as outlined above.

Anticipated Completion Date:

- Professional Learning: July - August 2021
- Implementation: August 2021

Administrative Center

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CORRECTIVE ACTION PLAN

FINDING 2020-003

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

Contact Person Responsible for Corrective Action: Kory A. LaBonne, Director of School Services and Assessment (Federal Grants Director)

Contact Phone Number: (574) 254-4532

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Upon receipt of summary data of nonpublic enrollment and poverty from participating nonpublic schools, the School Corporation/Federal Grants Director or designee will continue previously established processes to review the data for accuracy and eligibility. To ensure adequate controls are in place moving forward, documentation of the review will be maintained and kept accessible, as requested.

Anticipated Completion Date: July - August 2021

Administrative Center

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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/>.