

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WA-NEE COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

07/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Randi Libby	07-01-18 to 06-30-21
Superintendent of Schools	Scot Croner	07-01-18 to 06-30-21
President of the School Board	Don Lehman Christina Eshelman	07-01-18 to 12-31-20 01-01-21 to 06-30-21



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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 WA-NEE COMMUNITY SCHOOLS, ELKHART 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 Wa-Nee Community Schools (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 June 9, 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.

Wa-Nee Community Schools' Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 9, 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 WA-NEE COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Wa-Nee Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 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.

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 2020-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter 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.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 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 item 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

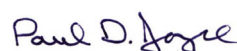
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material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

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 June 9, 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

June 9, 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.

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WA-NEE COMMUNITY SCHOOLS
 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	FY 2018-2019	\$ -	\$ 72,484	\$ -	\$ -
School Breakfast Program			FY 2019-2020	-	-	-	60,087
School Breakfast Program				-	-	-	-
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2019-2020	-	-	-	5,294
Total - School Breakfast Program				-	72,484	-	65,381
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY 2018-2019	-	482,529	-	-
National School Lunch Program			FY 2019-2020	-	-	-	362,897
Commodities			FY 2018-2019	-	116,549	-	-
Commodities			FY 2019-2020	-	-	-	110,300
Sub-Total - National School Lunch Program				-	599,078	-	473,197
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2019-2020	-	-	-	71,872
Total - National School Lunch Program				-	599,078	-	545,069
Total - Child Nutrition Cluster				-	671,562	-	610,450
Total - Department of Agriculture				-	671,562	-	610,450
<u>Department of Energy</u>							
State Energy Program	Indiana Office of Energy	81.041	266-SEP-ADM-19X	-	-	-	50,000
Total - Department of Energy				-	-	-	50,000

WA-NEE COMMUNITY SCHOOLS
 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 Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
5297 Special Education - Federal			14217-014-PN01	-	62	-	-
5298 Special Education - Federal			18611-014-PN01	-	656,936	-	-
5299 Special Education - Federal			19611-014-PN01	-	189,576	-	-
5248 - IDEA Part B 611 17-18			18611-014-PN01	-	-	-	32,609
5249 - IDEA Part B 611 18-19			19611-014-PN01	-	-	-	524,647
5240 - IDEA Part B 611 19-20			20611-014-PN01	-	-	-	606,825
Total - Special Education_Grants to States				-	846,574	-	1,164,081
Special Education_Preschool Grants							
Special Education_Preschool Grants	Indiana Department of Education	84.173					
5258 IDEA Part B			18619-014-PN01	-	31,679	-	-
5449 - IDEA Part B 619 Pre-School 18-19			19619-014-PN01	-	-	-	32,723
Total - Special Education_Preschool Grants				-	31,679	-	32,723
Total - Special Education Cluster (IDEA)				-	878,253	-	1,196,804
Title I Grants to Local Educational Agencies							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
4198 Title I 2017-2018			S010A170014	-	124,583	-	-
4199 Title I 2018-2019			S010A180014	-	137,636	-	117,039
4190 - Title I 19-20			S010A190014	-	-	-	212,920
Total - Title I Grants to Local Educational Agencies				-	262,219	-	329,959
English Language Acquisition State Grants							
English Language Acquisition State Grants	Indiana Department of Education	84.365					
6887 Title III ENL			01117-020-PN01	-	2,177	-	934
6888 Title III ENL			01118-019-PN01	-	18,920	-	13,211
6889 - Title III Part A 18-19			01119-022-PN01	-	-	-	9,778
Total - English Language Acquisition State Grants				-	21,097	-	23,923

WA-NEE COMMUNITY SCHOOLS
 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
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
6848 T-II Improve Teacher Quality			S367A170013	-	32,623	-	-
6849 T-II Improve Teacher Quality			S367A180013	-	25,199	-	66,668
6840 - Title II Part A 19-20			S367A190013	-	-	-	6,010
Total - Supporting Effective Instruction State Grants				-	57,822	-	72,678
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
5899 - Title IV 18-19			S424A180015	-	-	-	21,181
5890 - Title IV 19-20			S424A190015	-	-	-	4,550
Total - Student Support and Academic Enrichment Program				-	-	-	25,731
Total - Department of Education				-	1,219,391	-	1,649,095
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program		93.778					
IEP	Family and Social Services Administration		2018-2019	-	53,080	-	-
IEP			2019-2020	-	-	-	23,558
MAC	Indiana Department of Education		2018-2019	-	18,546	-	-
MAC			2019-2020	-	-	-	10,210
Total - Medical Assistance Program				-	71,626	-	33,768
Total - Medicaid Cluster				-	71,626	-	33,768
Total - Department of Health and Human Services				-	71,626	-	33,768
Total federal awards expended				\$ -	\$ 1,962,579	\$ -	\$ 2,343,313

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

WA-NEE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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 is a member of the Elkhart County Special Education Cooperative (Cooperative) which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the fiscal agent for the Cooperative.

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major 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	Unmodified
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

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 entered into Gateway prior to submission. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

WA-NEE COMMUNITY SCHOOLS
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. Pass-through amounts to subrecipients were incorrectly identified for each federal program as of June 30, 2019, which overstated pass-through expenditures by \$1,942,107.
2. The Child Nutrition Cluster omitted commodities for fiscal year 2018-2019 which understated expenditures by \$116,549. Additionally, commodities for 2019-2020 were understated by \$1,693.
3. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$159,662, in total.
4. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

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

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

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

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: . . .

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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. . . ."

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.

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Special Education Cluster (IDEA) - Activities Allowed
or Unallowed, 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): 14217-014-PN01, 18611-014-PN01,
19611-014-PN01, 20611-014-PN01,
18619-014-PN01, 19619-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation was a member of the Elkhart County Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The Cooperative provided special education services to its participating member school corporations and billed each school corporation based on expenditures paid with Cooperative funds during the audit period. The total amounts billed to each school corporation exceeded the grant allocations; therefore, the member school corporations paid the Cooperative's invoices with local, state, and federal funds. The Cooperative accounted for all expenditures in a single fund which did not account for each of the funding sources or identify expenditures by federal program, award numbers, or years.

The Cooperative was not able to provide records that would support the activities performed by the employees whose salaries were charged in whole or in part to the grant, or for transfers made from grant funds. Due to the lack of documentation for two transfers, approximately 13 percent of expenditures, we were unable to determine if the expenses associated with the transfers were for activities and costs allowable to the federal programs. The transfers were considered questioned costs.

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls, noncompliance, and failure to maintain adequate supporting documentation of program costs were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

- (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); . . .
- (vii) 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

Management had not developed a system of internal controls that would have ensured compliance, maintenance, and availability of supporting documentation with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system and to retain and provide appropriate supporting documentation for transfers prevented the determination of the School Corporation's compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

Known questioned costs of \$2,256,865 were identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure that documentation will be maintained and made available for audit and to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2020-003

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-014-PN01, 18611-014-PN01,
19611-014-PN01, 20611-014-PN01,
18619-014-PN01, 19619-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a member of the Elkhart County Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the procurement of small purchases or ensure that applicable vendors who received federal funds were not suspended or debarred from participation in federal award programs for those contracts procured by the Cooperative.

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement - Small Purchases

The Cooperative did not obtain an adequate number of price or rate quotations to ensure full and open competition for procurements under the small purchase threshold. Of the 11 vendors sampled that fell under the small purchases threshold, 5 did not have proper procurement procedures in place.

Suspension and Debarment

The Cooperative entered into contracts during the audit period but did not perform procedures to ensure compliance with requirements regarding verification that these vendors were not suspended or debarred from participation in federal programs.

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). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

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

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 180.300 states:

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

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 effective internal controls to ensure compliance and comply with the grant agreement and 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.

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: 2014

Status of Audit Finding:

Internal control systems and segregation of duties related to receipts have been established and will continue following the performed audit. The Secretary to the Curriculum Coordinator will open all mail and distribute to the Business Manager all receipts and invoices. The Business Manager will review and approve all receipts and forward onto the Deputy Treasurer. The deputy treasurer prepares the written receipts. Once receipts are prepared the Business Manager and/or the Payroll Clerk will review prior to the Deputy Treasurer posting within the accounting software. As of March 31, 2019, once the Deputy Treasurer posts in the financial software program a receipt breakdown by fund is generated along with the receipts for the Business Manager and/or Payroll Clerk to review after entry. The Deputy Treasurer prepares the monthly bank reconciliation and the Business Manager reviews and approves each month.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

Daily, the food service manager of each school prepares the deposit report (blue sheets). Deputy Treasurer, Crystal Manning inputs all deposits into a report. The Deputy Treasurer pulls monthly a report from Skyward for all sales, prepaid online deposits from RevTrak, as well as Skyward sends Deputy Treasurer, Crystal Manning the customer balance reports for all prepaid paid accounts (Fund 8400). During the monthly reconciliation process Crystal prepares the food service transfers from 8400 to Fund 0800 and Business Manager, Randi Libby and/or Payroll Clerk, Sherrie Mullet approves the transfers once all transactions have been entered. Sheila Cripe is then provided all revenue and expenditures for the Food Service Fund.

Randi Libby, Treasurer/Business Manager, reports the PLE calculations. Sheila Cripe, Food Service Director, reviews and approves.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

In the event equipment needs to be purchased above the materiality threshold, the Food Service Director requests to the IDOE School Nutrition Department for review and approval. Upon approval the proper procurement procedures will continue. Procurement includes a requisition to the Business Manager. The Business Manager reviews and approves prior to a purchase order being created by the Business Office Clerk and/or Deputy Treasurer.

The Deputy Treasurer will add equipment for all funds that is above the material threshold of \$5,000 to the inventory spreadsheet. The Deputy Treasurer includes the appropriate fund within the spreadsheet. At the end of each fiscal year the Business Manager reviews and approves additions to the spreadsheet prior to submission to the SBOA Annual Financial Report through Gateway. The Deputy Treasurer will then review and approve the Gateway Report including capital assets.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

In the event the Food Service department foresees the use of a vendor and possibly forecasts expenditures greater than \$3,500 (or the federal micro-purchase threshold, now \$10,000) within the fiscal period, the Food Service Director will request three quotes to compare like items. This process is reviewed by the Business Manager for compliance.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

The annual completion and calculation of the Maintenance of Effort (MOE) as it pertains to Special Education expenses is calculated and completed by the Business Manager. Upon completion the Deputy Treasurer reviews and approves the MOE for accuracy prior to sending the calculation to ECSEC for submission to the Indiana Department of Education.

Quarterly, proportionate share reports are completed by the Business Manager (if required during the grant cycle) and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. In most recent grants proportionate share reports are imbedded in reimbursement requests which are also reviewed and approved by either the Special Education Director or the Deputy Treasurer. ECSEC will review and submit to the IDOE.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

Quarterly, proportionate share reports are completed by the Business Manager (if required during the grant cycle) and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. In most recent grants proportionate share reports are imbedded in reimbursement requests which are also reviewed and approved by either the Special Education Director or the Deputy Treasurer. ECSEC will review and submit to the IDOE.

Annually, final share reports are completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC reviews and submits to the IDOE. If Wa-Nee fails to receive the report after the fiscal period has ended the Business Manager will send a request to ECSEC for the report template for the requested fiscal year.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-007

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

Quarterly, proportionate share reports are completed by the Business Manager (if required during the grant cycle) and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. In most recent grants proportionate share reports are imbedded in reimbursement requests which are also reviewed and approved by either the Special Education Director or the Deputy Treasurer. ECSEC will review and submit to the IDOE.

Annually, final share reports are completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC reviews and submits to the IDOE. If Wa-Nee fails to receive the report after the fiscal period has ended the Business Manager will send a request to ECSEC for the report template for the requested fiscal year.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

A payroll distribution record is kept for all compensated employees (including federal grant employees). Based on the percentage of the employees' cost-objective and responsibilities the employee(s) will complete either a semi-annual certification or a time and effort log. The logs will be completed and submitted to the Testing & Federal Grants Coordinator for review and approval.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

Internal control systems and segregation of duties related to the Annual Report Card-HS Graduation Rate cohort report are prepared by the Secretary to the Guidance Department and a second review is completed by the Department Head of the Guidance Department.

Internal control systems and segregation of duties related to the changes that could result in a Real-Time Report changes are prepared by each building secretary and a second review will be completed by a second secretary in the building. The changes will be kept within the students cumulative file and/or in an appropriate change file for audit review.

All claims are reviewed and approved by the Business Manager and entered by the Deputy Treasurer in the financial software system. Once entered into the software system the Board of School Trustees approves the claim docket prior to payment issued to the vender.



CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Randi Libby

Contact Phone Number: (574) 773-3131

Views of Responsible Official: We concur with the finding

Corrective Action Plan: In order to avoid such adjustments in the future, the Business Manager will work with the Deputy Treasurer, the Food Service Director and the State Controller's office in order to assure that errors are caught prior to submission of the final drafts to the SBOA:AFR Gateway site. Once final drafts of the SEFA have been reviewed by the Business Manager, the Deputy Treasurer and the Food Service Director the Business Manager will submit to the Gateway site and include all supporting documentation in an annual SEFA file.

Anticipated Completion Date: August 31, 2021



CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Randi Libby

Contact Phone Number: (574) 773-3131

Views of Responsible Official: We concur with the finding

Corrective Action Plan: Wa-Nee Community Schools will work with responsible parties from the Elkhart County Special Education Cooperative (ECSEC) to establish controls to ensure that charges to federal awards for salaries and wages are based on records that accurately reflect the work performed. Since the work performed takes place under ECSEC supervision, and is outside of the direct control of Wa-Nee Community Schools, procedures will be implemented for ECSEC representatives to provide assurances that proper documentation is maintained for the compensated activities. In addition, Wa-Nee Community Schools will work with the responsible parties from the Elkhart County Special Education Cooperative (ECSEC) to ensure any transfers made have supporting documentation.

Anticipated Completion Date: December 31, 2021



CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Randi Libby

Contact Phone Number: (574) 773-3131

Views of Responsible Official: We concur with the finding

Corrective Action Plan: Wa-Nee Community Schools will work with responsible parties from the Elkhart County Special Education Cooperative (ECSEC) to establish controls to ensure that procedures are in place to ensure that an adequate number of price or rate quotes are obtained during the procurement process to meet the small purchases threshold.

Procedures will be put into place to ensure compliance with requirements to verify that small purchase vendors were not suspended or debarred from participation in federal programs.

Anticipated completion date: December 31, 2021

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/>.