

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MIDDLEBURY COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark D. Snyder Lisa Stutsman	07-01-18 to 05-20-19 05-21-19 to 06-30-21
Superintendent of Schools	Jane A. Allen	07-01-18 to 06-30-21
President of the School Board	David Black Joanna King Paul Gayler	07-01-18 to 11-19-18 11-20-18 to 12-31-19 01-01-20 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 MIDDLEBURY 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 Middlebury 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 14, 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.

Middlebury 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 14, 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 MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Middlebury 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.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2020-003 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 its 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.

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 Child Nutrition Cluster

As described in item 2020-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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 its Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 2020.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster 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 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, and 2020-004, 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 14, 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 14, 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.

MIDDLEBURY 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					
School Breakfast			FY 18-19	\$ -	\$ 110,286	\$ -	\$ -
School Breakfast			FY 19-20	-	-	-	76,907
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	-	-	-	88,862
Total - School Breakfast Program				-	110,286	-	165,769
National School Lunch Program							
National School Lunch	Indiana Department of Education	10.555					
National School Lunch			FY 18-19	-	674,366	-	-
Afterschool Snack			FY 19-20	-	-	-	509,550
Afterschool Snack			FY 18-19	-	2,546	-	-
Afterschool Snack			FY 19-20	-	-	-	1,262
Commodities			FY 18-19	-	174,525	-	-
Commodities			FY 19-20	-	-	-	167,315
Sub-total - National School Lunch Program				-	851,437	-	678,127
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 19-20	-	-	-	192,980
Afterschool Snack			FY 19-20	-	-	-	104
Sub-total - COVID-19 - National School Lunch Program				-	-	-	193,084
Total - National School Lunch Program				-	851,437	-	871,211
Total - Child Nutrition Cluster				-	961,723	-	1,036,980
Total - Department of Agriculture				-	961,723	-	1,036,980
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B			18611-014-PN01	-	661,339	-	-
Special Education Part B			19611-014-PN01	-	593,925	-	375,280
Total - Special Education Grants to States				-	1,255,264	-	375,280
Special Education Preschool Grants							
Special Education Preschool	Indiana Department of Education	84.173					
Special Education Preschool			18619-014-PN01	-	34,874	-	-
Special Education Preschool			19619-014-PN01	-	35,939	-	-
Total - Special Education Preschool Grants				-	70,813	-	-
Total - Special Education Cluster (IDEA)				-	1,326,077	-	375,280

MIDDLEBURY 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
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Grants			S010A170014	-	163,886	-	-
Title I Grants			S010A180014	-	287,905	-	119,540
Title I Grants			S010A190014	-	-	-	230,844
Total - Title I Grants to Local Educational Agencies				-	451,791	-	350,384
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Grants			S365A160014	-	4,989	-	-
Title III Grants			S365A170014	-	6,063	-	8,813
Title III Grants			S365A180014	-	28,547	-	10,783
Title III Grants			S365A190014	-	-	-	24,775
Total - English Language Acquisition State Grants				-	39,599	-	44,371
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II-A Grants			S367A170013	-	79,071	-	-
Title II-A Grants			S367A180013	-	27,010	-	71,372
Title II-A Grants			S367A190013	-	-	-	22,615
Total - Supporting Effective Instruction State Grants				-	106,081	-	93,987
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV-A			S424A180015	-	20,791	-	12,924
Total - Department of Education				-	1,944,339	-	876,946
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program							
Medicaid Reimbursement - MAC	Indiana Department of Education	93.778	FY 18-19	-	17,408	-	-
Medicaid Reimbursement - MAC			FY 19-20	-	-	-	20,612
Medicaid Reimbursement - IEP	Family and Social Services Administration		FY 18-19	-	37,640	-	-
Medicaid Reimbursement - IEP			FY 19-20	-	-	-	26,320
Total - Medical Assistance Program				-	55,048	-	46,932
Total - Medicaid Cluster				-	55,048	-	46,932
Total - Department of Health and Human Services				-	55,048	-	46,932
Total federal awards expended				\$ -	\$ 2,961,110	\$ -	\$ 1,960,858

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

MIDDLEBURY 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 Cooperative.

MIDDLEBURY 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
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
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Section II - Financial Statement Findings

FINDING 2020-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

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).

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The National School Lunch Program expenditures were overstated by \$221,277 and understated by \$168,681 for the fiscal years 2018-2019 and 2019-2020, respectively.
2. The Medical Assistance Program was omitted, which understated expenditures by \$101,980.
3. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$131,202, 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. . . ."

CFR 200.303 states in part:

"The non-Federal entity must:

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

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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."

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, and Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-004.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

The School Corporation paid salaries/wages for management, secretary, custodian, and bookkeeper positions, which were allocated to the School Lunch fund based on fixed percentages during fiscal year 2018-2019. There was no supporting documentation to indicate how the percentages were determined. Adequate time and effort records were not maintained to support the time charged to the federal award. We consider the wages paid in the amount of \$108,063 to be questioned costs.

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

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (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. . . ."

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 220.7(e) states in part:

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

(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 210.14(a) states in part:

"*Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs identified totaled \$108,063.

Recommendation

We recommended that management of the School Corporation establish effective internal controls and comply with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Views of Responsible Officials

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

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-003

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): 18611-014-PN01, 19611-014-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 on expenditures paid with Cooperative funds during the audit period. The total amount billed to each school corporation exceeded the grant allocation, therefore, member schools paid the Cooperative bills 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 program. The transfers were considered questioned costs.

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:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.403 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.

Effect

The failure to establish an effective internal control system and 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 2020-004

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-014-PN01, 19611-014-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.

Procurement - Small Purchases

The Cooperative did not obtain an adequate number of price or rate quotes to ensure full and open competition for procurements under the small purchase threshold. Of the eleven vendors sampled that fell under the small purchases threshold, five 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 so not cost more that the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

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:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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.

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AUDITEE-PREPARED DOCUMENTS

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: Corrected

Disbursements – Fringe Benefits: All payments made to the Teacher’s Retirement Fund, Public Employee Retirement Fund, and the Corporation’s share of Social Security and Medicare were processed on a claims docket and approved by the School Board.

Self-Insurance Fund: Effective 10/1/17 we switched Third Party Administrators (TPA). The new TPA includes detailed reporting on claims and flex payments to correspond with the electronic payments. The Treasurer reconciles monthly the receipts and detailed disbursements sent by the TPA to the monthly trust statement. Once reconciled by the treasurer, the Superintendent and Director of Business reviewed, and then all the claims, receipts, and reconciliation were given to the board for approval.

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

Prior to entering the data into Gateway, the Director of Business verifies the numbers with reports from the financial software that either the Assistant to the Director of Business or the Treasurer has submitted. Once those numbers are verified, both the Director of Business and either the Assistant to the Director of Business or the Treasurer sign a verification page certifying the receipts and expenditures are accurate and complete, prior to the Director of Business entering the data into Gateway. All supporting documents including reimbursement requests and ledger are kept with the final report and verification page. Even though this process was implemented, it was not effective in identifying all Schedule of Expenditures or Federal Awards (SEFA) errors prior to being submitted.

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Cash Management – The Director of Business and Food Service Director review and monitor Revenue and Expenditures Ledgers including detail and summary of balances monthly. The ledgers are signed by both the Director of Business and the Food Service Director. An expenditure average for a month is calculated



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using previous history to monitor the total balance. The balance should be approximately 3 months of operating expenditures. Signatures are included on the monthly balances.

Eligibility – The free and reduced application filled out by guardians is collected and input into the food service software program by a secretary. Once the data is input, a printout of each student's information that was input into the food service software program is given to the Food Service Director to review for accuracy and completeness. The original application and the printout from the food service software program are signed by both and kept for review.

Program Income – After the spreadsheets are prepared by a secretary, the Food Service Director reviews the spreadsheets for accuracy and completeness. The spreadsheets are signed by both the secretary that input the information and the Food Service Director.

Reporting – A printout from the food service program is printed by building totaling the number of meals served for the month. Each total is inputted into the CNP website by the Food Service Director. A printout from the CNP website and food service program detailing number of meals served by building is given to a member of the finance department for review of completeness and accuracy. The CNP printout is signed by the Food Service Director and the staff member within the finance department that reviewed.

Special Tests and Provisions:

Verification Applications – Once it is determined which applications must be verified, the report is completed by the Food Service Director. A secretary associated with Food Services verifies the income supporting documentation. A report from the food service program is signed by both.

School Food Account – Detailed ledgers of receipts and expenditures from the financial software are printed by the Director of Business monthly and given to the Food Service Director for review. Both sign the ledgers.

Paid Lunch Equity Tool – The Food Service Director inputs the requested information into the Paid Lunch Equity Tool spreadsheet. This information is obtained from the previous year's paid lunch equity spreadsheet, as well as October's claim data from the food service program. Both of these are given to a secretary handling Food Service for review of accuracy and completeness. Signatures are kept on a printout of the Paid Lunch Equity Tool spreadsheet.

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Not Corrected

Payroll – The Corporate Treasurer and Food Service Director review and monitor payroll to ensure compliance with requirements related to the grant agreement. The Treasurer prints a copy of the payroll distribution report from Low and a spreadsheet if necessary, for each pay period, which includes employee name, fund number, hours worked, and pay rate. Signatures from both are included on the distribution



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reports and/or spreadsheet. Other employees (bookkeepers and custodians) have hours in food service dictated by their job descriptions (pending confirmation of acceptance of method by IDOE SNA). Due to the timing of the prior audit, this corrective action was not implemented until the 2019-20 fiscal year.

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Equipment – The Director of Business and Food Service Director maintain a proper and accurate list of capital assets related to food service. Asset Control Solutions completed an up-to-date inventory of all district capital assets including those related to food service. New asset purchases will include signatures of either the Director of Buildings and Grounds or Director of Business and also Food Service Director that will include date of purchase and fund used. (No new food service-related capital assets were purchased since the last audit period.)

Equipment, Allowable Costs/ Costs Principle, Program Income – The Food Service Director will seek and gain approval from the IDOE in writing for all allowable equipment purchases related to food service over the \$5,000 threshold. Copies of approval from IDOE will be kept and maintained by the Food Service Director. (No such equipment purchases have been made since the last audit period.)

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Procurement – The Food Service Director complies with federal procurement requirements related to purchases from vendors whose goods and services exceed the \$3,500.00 threshold. Goods and services desired from at least three different vendors are compared based on a spreadsheet of specific criteria set forth by the Food Service Director. The vendor with the highest rating based on the set criteria is awarded the business of the school district for that school year. A secretary associated with food service reviews the spreadsheet for accuracy and completeness. Both sign each spreadsheet and the Food Service Director files it. This finding was related to a local grocery store that we had unexpectedly gone over the threshold in spending for emergency food supplies (ex: extra milk, buns, eggs...). Our plan is to avoid using this store for this purpose unless it is a true emergency. Because of this, we have not planned to perform a formal procurement process with local grocery stores because we should be far below that threshold.

Suspension and Debarment – The Director of Buildings and Grounds and Food Service Director work together to insure when entering into a covered transaction with a vendor at the next lower tier of allowable purchases, that the person with whom they intend to do business with has not been excluded or disqualified. They will do this by checking SAM for exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Written documentation that shows the



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vendor is clear of suspension and debarment is signed by both the Director of Buildings and Grounds and the Food Service Director. (No such transactions have occurred since the last audit period.)

FINDING 2018-007

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Annual Financial Report - A detailed ledger from the school financial software is given to the Food Service Director by the Director of Business. The Food Service Director inputs the information into the Annual Financial Report. The Director of Business and Food Service Director both review and sign the food service Annual Financial Report to ensure that it meets compliance and is accurate. The final report and ledgers used are filed.

Verification Report – The Food Service Director and secretary work together to complete the verification report each year. In working together, they ensure that the data from the verification report matches the data in the food service software program. Copies of supporting documentation from the food service software will be printed and filed alongside a copy of the verification report. Both sign the cover page from the food service software program as well as a copy of the verification report and these supporting documents are filed.

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

Maintenance of Effort: The Assistant to the Director of Business calculates the maintenance of effort. The Director of Business verifies accuracy. Both the preparer and the reviewer sign the MOE verifying accuracy and completeness, which matches the ledgers. The expenditure ledgers used for the calculation are retained as well.

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected

Quarterly Proportionate Share Monitoring - The Assistant to the Director of Business completes the Proportionate Share Monitoring Report. The Director of Business verifies accuracy. Both the preparer and the reviewer sign the Quarterly Proportionate Share report verifying accuracy and completeness, which matches the payroll records/ledgers. The ledgers used for the calculation are retained and attached to the report.



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FINDING 2018-010

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

The entire ECSEC operation was going through transitions which range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Middlebury Community Schools personnel and the Special Education Coordinator continue to follow established guidelines, as we understand them and monitor the related procedures put in place by the administrator (Goshen Community Schools).

FINDING 2018-011

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

Activities Allowed or Unallowed, Allowable Costs/Cost Principles - The Treasurer updates the financial software of the employees to be paid from the grant fund as necessary. A payroll distribution report is printed by the Treasurer after each payroll and given to the Title I Director. The Title I Director verifies that only approved school personnel from the grant are being paid from the appropriate Title I fund within the correct time period. Both the Treasurer and Title I Director sign the distribution report.

Special Tests and Provisions: Assessment System Security - Due to the timing of the prior audit, acceptable procedures for maintaining records for assessment system security had not been fully implemented. Current practice now includes sign in sheets for each building for all staff involved in trainings related to all standardized testing and assessment security. These are verified and signed by the Corporation Test Coordinator to ensure accuracy.

FINDING 2018-012

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Corrected

Special Tests and Provisions: Annual Report Card, High School Graduation Rate – Due to the timing of the prior audit, acceptable procedures for maintaining records for student withdrawals effecting graduation rate were not fully implanted.

The student clearance sheet now includes signature sections that additionally show exit/mobility code used for student withdrawal, attached documentation to support code used, two building level signatures for acceptable completion, and one for the assistant superintendent to sign and verify that all records are accurate.



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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Joshua Yoder, Director of Business
Contact Phone Number: (574) 825-9425

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Prior to entering the data into Gateway, the Director of Business verifies the numbers with reports from the financial software that either the Assistant to the Director of Business or the Treasurer has submitted. Once those numbers are verified, both the Director of Business and either the Assistant to the Director of Business or the Treasurer sign a verification page certifying the receipts and expenditures are accurate and complete, prior to the Director of Business entering the data into Gateway. All supporting documents including reimbursement requests and ledger are kept with the final report and verification page.

Anticipated Completion Date: Immediately

FINDING 2020-002

Contact Person Responsible for Corrective Action: Joshua Yoder, Director of Business; Sara Reafsnyder, Food Service Director

Contact Phone Number: (574) 825-9425

Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan:

The Corporate Treasurer and Food Service Director review and monitor payroll to ensure compliance with requirements related to the grant agreement. The Treasurer prints a copy of the payroll distribution report from Low and a spreadsheet if necessary, for each pay period, which includes employee name, fund number, hours worked, and pay rate. Signatures from both are included on the distribution reports and/or spreadsheet. Other employees (bookkeepers and custodians) have hours in food service dictated by their job descriptions (pending confirmation of acceptance of method by IDOE SNA).

Anticipated Completion Date: Immediately

FINDING 2020-003

Contact Person Responsible for Corrective Action: Joshua Yoder, Director of Business
Contact Phone Number: (574) 825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

ECSEC adjusted billing protocols due to this audit finding in the ECSEC 2018-2020 audit. The MCS Director of Business will consult with ECSEC financial officers to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Anticipated Completion Date: Immediately

FINDING 2020-004

Contact Person Responsible for Corrective Action: Joshua Yoder, Director of Business
Contact Phone Number: (574) 825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

The Director of Business will consult with ECSEC financial officers to ensure that proper Procurement, and Suspension and Debarment compliance protocols are being met.

Anticipated Completion Date: Immediately



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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/>.