

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NORTHWEST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
06/17/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julianne Striggle Patricia Hauser	07-01-19 to 06-11-20 06-12-20 to 06-30-22
Superintendent of Schools	Christopher A. Himsel	07-01-19 to 06-30-22
President of the School Board	Kent Somers Ron Felger	01-01-19 to 01-09-22 01-10-22 to 06-30-22



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 NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN 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 Northwest Allen County Schools (School Corporation), for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated May 24, 2022, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 24, 2022



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 NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Northwest Allen County 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, 2019 to June 30, 2021. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated May 24, 2022, 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 24, 2022

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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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NORTHWEST ALLEN COUNTY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	\$ -	\$ 59,954	\$ -	\$ -
School Breakfast Program			FY 20-21	-	-	-	-
				<u>-</u>	<u>59,954</u>	<u>-</u>	<u>-</u>
Subtotal - School Breakfast Program				<u>-</u>	<u>59,954</u>	<u>-</u>	<u>-</u>
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	-	144,249	-	-
School Breakfast Program			FY 20-21	-	-	-	3,601
				<u>-</u>	<u>144,249</u>	<u>-</u>	<u>3,601</u>
Subtotal - COVID-19 - School Breakfast Program				<u>-</u>	<u>144,249</u>	<u>-</u>	<u>3,601</u>
Total - School Breakfast Program				<u>-</u>	<u>204,203</u>	<u>-</u>	<u>3,601</u>
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 19-20	-	709,774	-	-
Commodities				-	278,094	-	377,515
				<u>-</u>	<u>987,868</u>	<u>-</u>	<u>377,515</u>
Subtotal - National School Lunch Program				<u>-</u>	<u>987,868</u>	<u>-</u>	<u>377,515</u>
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 19-20	-	321,383	-	-
National School Lunch Program			FY 20-21	-	-	-	52,175
				<u>-</u>	<u>321,383</u>	<u>-</u>	<u>52,175</u>
Subtotal - COVID-19 - National School Lunch Program				<u>-</u>	<u>321,383</u>	<u>-</u>	<u>52,175</u>
Total - National School Lunch Program				<u>-</u>	<u>1,309,251</u>	<u>-</u>	<u>429,690</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program COVID Waiver			FY 2020-2021	-	-	-	3,195,709
				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,195,709</u>
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program COVID Waiver			FY 2020-2021	-	-	-	575,440
				<u>-</u>	<u>-</u>	<u>-</u>	<u>575,440</u>
Total - Summer Food Service Program for Children				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,771,149</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>1,513,454</u>	<u>-</u>	<u>4,204,440</u>
Total - Department of Agriculture				<u>-</u>	<u>1,513,454</u>	<u>-</u>	<u>4,204,440</u>

NORTHWEST ALLEN COUNTY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Summer Food Service Program COVID Waiver			H027A170084	-	39,591	-	-
IDEA Grant 18/19 (#5238)			H027A180084	-	432,722	-	57,570
IDEA Grant 19/20 (#5239)			H027A190084	-	789,114	-	439,482
IDEA Grant 20/21 (#5240)			H027A200084	-	-	-	842,821
Total - Special Education Grants to States				-	1,261,427	-	1,339,873
Special Education Preschool Grants	Indiana Department of Education	84.173					
IDEA Preschool Grant 18/19 (#5255)			H173A170104	-	1,138	-	-
IDEA Preschool Grant 18/19 (#5499)			H173A180104	-	11,589	-	1,366
IDEA Preschool Grant 19/20 (#5450)			H173A190104	-	20,974	-	12,832
IDEA Preschool Grant 20/21 (#5451)			H173A200104	-	-	-	34,198
Total - Special Education Preschool Grants				-	33,701	-	48,396
Total - Special Education Cluster (IDEA)				-	1,295,128	-	1,388,269
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 19/20 (#4114)			S010A180014	-	215,541	-	-
Title I 19/20 (#4114)			S010A190014	-	245,954	-	121,393
Title I 20/21 (#4115)			S010A200014	-	-	-	231,370
Total - Title I Grants to Local Educational Agencies				-	461,495	-	352,763
Career and Technical Education - Basic Grants to States	Fort Wayne Community Schools	84.048					
Perkins Grant V/FWCS 19/20			FY 19-20	-	57,526	-	-
Commodities			FY 20-21	-	-	-	48,228
Total - Career and Technical Education - Basic Grants to States				-	57,526	-	48,228
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 18/20 (#6883)			S365A170014	-	2,464	-	-
Title III 18/20 (#6883)			S365A180014	-	12,680	-	3,244
Title III 19/21 (#6884)			S365A190014	-	8,170	-	10,646
Title III Part A 20/22 (#6885)			S365A200013	-	-	-	1,421
Total - English Language Acquisition State Grants				-	23,314	-	15,311

NORTHWEST ALLEN COUNTY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A 18/20 (#6846)			S367A180013	-	60,295	-	-
Title II Part A 19/21 (#6847)			S367A190013	-	6,632	-	71,756
Total - Supporting Effective Instruction State Grants				-	66,927	-	71,756
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 19/21 (#5804)			S424A190015	-	10,208	-	8,081
Title IV Part A 20/22 (#5805)			S424A200015	-	-	-	5,000
Total - Student Support and Academic Enrichment Program				-	10,208	-	13,081
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief Funds		84.425C	S425C200018	-	-	-	13,255
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D200013	-	-	-	318,936
Elementary and Secondary School Emergency Relief Fund		84.425D	S425D210013	-	-	-	678,264
Total - COVID-19 - Education Stabilization Fund				-	-	-	1,010,455
Total - Department of Education				-	1,914,598	-	2,899,863
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family Social Services Administration	93.778					
Federal Medicaid Reimbursement (#6460)			FY 19-20	-	58,900	-	-
Federal Medicaid Reimbursement (#6460)			FY 20-21	-	-	-	83,071
Total - Medical Assistance Program				-	58,900	-	83,071
Total - Medicaid Cluster				-	58,900	-	83,071
Total - Department of Health and Human Services				-	58,900	-	83,071
Total federal awards expended				\$ -	\$ 3,486,952	\$ -	\$ 7,187,374

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

NORTHWEST ALLEN COUNTY 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, 2020 and 2021. 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. GEER I Expenditures

The School Corporation was a participant in a joint application with other Local Educational Agencies to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. The East Allen County Schools served as the fiscal agent for the award and expended award funds for equipment and services on behalf of all participants. The School Corporation received equipment and services as a result of the awarded grant in the amount of \$13,255. As a result, the activity for the GEER award that is presented as federal awards expended on the SEFA is not presented as receipts and disbursements on the financial statement for the School Corporation.

NORTHWEST ALLEN COUNTY 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Unmodified
84.425	Title I Grants to Local Educational Agencies	Unmodified
84.425	COVID-19 - Education Stabilization Fund	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

No matters are reportable.

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-001

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles and Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program,
National School Lunch Program, COVID-19 - National School Lunch
Program, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years or Other Identifying Numbers: FY 19-20, FY 20-21, FY 2020-2021
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

The School Corporation paid for employee salary and benefits from the Child Nutrition Cluster programs without adequate documentation to support that the amount paid was an allowable cost of the federal program. Documentation supporting the employee time charged for custodians, secretaries, and aides was not properly maintained. All transactions related to employees' salaries and benefits paid from Fund 800, the School Lunch fund, were reviewed. Each employee had a specific percentage of their pay charged without documentation of a proper time study or actual hours worked on the program. The same percentage was used each pay period. In addition, fringe benefits that were directly associated with the payroll were paid. The amount of questioned costs identified was \$220,931, which was the entire amount paid for the noted employees' salaries and benefits by the School Lunch fund.

Additionally, the School Corporation paid for trash removal services from the Child Nutrition Cluster programs without adequate documentation to support the amount paid was an allowable cost of the federal program. All transactions related to trash removal services paid from Fund 800, the School Lunch fund, were reviewed. In all cases, the amount paid was based on a percentage from a time study; however, the documentation for the time study was insufficient. The amount of questioned costs identified was \$23,815, which was the entire amount paid for trash removal services by the Child Nutrition Cluster programs.

Because these were not allowable costs, it is also not a proper use of Program Income.

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

NORTHWEST ALLEN COUNTY 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 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. . . ."

NORTHWEST ALLEN COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.307(e) states in part:

"Use of program income. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

- (1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles and the Program Income compliance requirements.

Questioned Costs

Questioned costs identified are \$244,746.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Allowable Costs/Cost Principles and the 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.

AUDITEE-PREPARED DOCUMENTS

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



**Northwest
Allen County
Schools**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: July 1, 2017 – June 30, 2019

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Gloria Shamanoff, Assistant Superintendent,
Title I Program Administrator

Status of Audit Finding: Internal controls have been established that includes the segregation of duties to ensure compliance with the grant agreement and the Special Tests and Provisions – Report Card/High School Grad Rate compliance requirements. Written Administrative Guidelines and Procedures spell out the segregation of duties for compliance. The Guidance Counselor provides student information to a shared drive for the High School Registrar and High School DOE Data Secretary to access. The High School Registrar enters the correct completion code into PowerSchool and sends a confirmation email to the Data Secretary. The Data Secretary confirms the student's code is correctly marked in PowerSchool. Upon completion of this task, the Data Secretary adds confirming information to the shared drive and sends an email to the Corporation Data Technician. The Data Technician completes all necessary tasks with the student to comply with state reporting.

Bill Mallers
Business Manager

April 26, 2022



Northwest Allen County Schools

CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Leeanne Koeneman, Food Service Director
Contact Phone Number: 260-637-8768

Views of Responsible Official: Concur with the finding.

Description of Corrective Action Plan:

Northwest Allen County Schools will make every reasonable effort to comply with Finding 2021-001. A system of internal controls will be established, including documentation supporting the employee time and other allowable costs charged to the Child Nutrition Cluster program, to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Program Income compliance requirements.

Anticipated Completion Date: June 30, 2022

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/>.