

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ELKHART COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2019 to June 30, 2021



**FILED**  
06/21/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kevin E. Scott	07-01-19 to 06-30-22
Superintendent of Schools	Dr. Steven W. Thalheimer	07-01-19 to 06-30-22
President of the School Board	Douglas K. Weaver Kellie L. Mullins Roscoe L. Enfield, Jr. Dacey S. Davis	07-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 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 ELKHART 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 Elkhart Community 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 25, 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, 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 2021-001, 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 2021-001.

***Elkhart 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 25, 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 ELKHART COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Elkhart 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, 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. 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 Career and Technical Education - Basic Grants to States***

As described in item 2021-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Career and Technical Education - Basic Grants to States regarding 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)

***Qualified Opinion on Career and Technical Education - Basic Grants to States***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Career and Technical Education - Basic Grants to States* 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 Career and Technical Education - Basic Grants to States for the period of July 1, 2019 to June 30, 2021.

***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, 2019 to June 30, 2021.

***Other 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 2021-002, that we consider to be material weaknesses.

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)

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, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated May 25, 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 25, 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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ELKHART COMMUNITY 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
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2020 FY2021	\$ - -	\$ 1,068,108 -	\$ - -	\$ - 160,113
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY2020	-	94,062	-	-
Total - School Breakfast Program				-	1,162,170	-	160,113
National School Lunch Program	Indiana Department of Education	10.555	FY2020 FY2021	- -	2,843,717 -	- -	- 357,626
Commodities			FY2020, FY2021	-	456,910	-	647,024
Sub-Total - National School Lunch Program				-	3,300,627	-	1,004,650
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY2020	-	247,929	-	-
Total - National School Lunch Program				-	3,548,556	-	1,004,650
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2020 FY2021	- -	87,832 -	- -	- 2,154,376
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2020 FY2021	- -	384,008 -	- -	- 173,149
Total - Summer Food Service Program for Children				-	471,840	-	2,327,525
Total - Child Nutrition Cluster				-	5,182,566	-	3,492,288
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY2020 FY2021	- -	118,499 -	- -	- 39,983
Total - Child and Adult Care Food Program				-	118,499	-	39,983
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY2020 FY 2021	- -	92,973 -	- -	- 118,725
Total - Fresh Fruit and Vegetable Program				-	92,973	-	118,725
Total - Department of Agriculture				-	5,394,038	-	3,650,996
<b>Department of Justice</b>							
Public Safety Partnership and Community Policing Grants	Direct Grant	16.710	2020SVWX0106	-	-	-	396,825
Total - Department of Justice				-	-	-	396,825
<b>Department of Labor</b>							
WIOA Cluster							
WIOA Dislocated Worker Formula Grants	Indiana Department of Workforce Development	17.278	AA-28315-16-55	-	32,357	-	-
Total - Department of Labor				-	32,357	-	-

ELKHART COMMUNITY 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
<b>Department of the Treasury</b>							
COVID-19 - Coronavirus Relief Fund (7944) AE CARES 20-21 (0200) CARES Reimb. of Interest Expense	Indiana Department of Workforce Development Indiana Bond Bank	21.019	5100COVIDRELIEF	-	-	-	1,774
				-	-	-	6,669
<b>Total - Department of the Treasury</b>				-	-	-	<b>8,443</b>
<b>Department of Education</b>							
Special Education Cluster (IDEA) Special Education Grants to States	Indiana Department of Education	84.027	19611-013-PN01 20611-013-PN01 21611-013-PN01	- - -	1,511,858 308,963 -	- - -	1,150,720 2,692,974 748,535
<b>Total - Special Education Grants to States</b>				-	<b>1,820,821</b>	-	<b>4,592,229</b>
Special Education Preschool Grants	Indiana Department of Education	84.173	18619-013-PN01 19619-013-PN01 20619-013-PN01 21619-013-PN01	- - - -	5,772 47,035 82,332 -	- - - -	- 5,789 33,087 87,751
<b>Total - Special Education Preschool Grants</b>				-	<b>135,139</b>	-	<b>126,627</b>
<b>Total - Special Education Cluster (IDEA)</b>				-	<b>1,955,960</b>	-	<b>4,718,856</b>
Adult Education - Basic Grants to States	Indiana Department of Education	84.002	5104180P20ABEGR 5104190P20ABEGR 5104190P18ABEGR 5104180P18ABEGR 5104180P19ABEGR 5104190P19ABEGR	- - - - - -	- - 66,944 134,658 - -	- - - - - -	18,720 69,311 22,897 52,882 16,218 9,152
<b>Total - Adult Education - Basic Grants to States</b>				-	<b>201,602</b>	-	<b>189,180</b>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A180014 S010A180014 S010A190014 S010A200014	- - - -	53,464 1,720,961 1,893,749 -	- - - -	307,465 - 1,599,938 1,909,909
<b>Total - Title I Grants to Local Educational Agencies</b>				-	<b>3,668,174</b>	-	<b>3,817,312</b>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048	7000V048A180014 7000V048A170014 51248A19SECONDY 51248A19LDRSHIP 51248A18LDRSHIP 51248A20LDRSHIP 51248A20SECONDY	- - - - - - -	342,399 33,526 463,005 3,248 - - -	- - - - - - -	- - 274,569 15,408 17,860 5,780 430,803
<b>Total - Career and Technical Education - Basic Grants to States</b>				-	<b>842,178</b>	-	<b>744,420</b>
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287	S287C170014 S287C180014 S287C190014	- - -	192,150 361,420 -	- - -	- 130,729 250,521
<b>Total - Twenty-First Century Community Learning Grants</b>				-	<b>553,570</b>	-	<b>381,250</b>

ELKHART COMMUNITY 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
English Language Acquisition State Grants	Indiana Department of Education	84.365	S365A170014 S365A180014 S365A190014 S365A190014	- - - -	30,867 192,977 16,109 -	- - - -	- 15,586 143,635 3,727
Total - English Language Acquisition State Grants				-	239,953	-	162,948
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A170013 S367A180013 S367A190013 S367A200013	- - - -	68,408 268,560 211,566 -	- - - -	- 6,592 154,985 101,472
Total - Supporting Effective Instruction State Grants				-	548,534	-	263,049
School Improvement Grants	Indiana Department of Education	84.377	S377A140015 S377A150015 S377A140016	- - -	15,007 213,710 158,368	- - -	- 92,490 153,349
Total - School Improvement Grants				-	387,085	-	245,839
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424	S424A180015 S424A190015 S424A200015	- - -	159,641 56,273 -	- - -	88,137 130,772 40,619
Total - Student Support and Academic Enrichment Program				-	215,914	-	259,528
Education Stabilization Fund Governor's Emergency Education Relief Fund (GEER)	Indiana Department of Education	84.425C	S425C200018	-	-	-	31,410
Elementary and Secondary School Emergency Relief (ESSER) Fund	Indiana Department of Education	84.425D	S425D200013	-	-	-	1,247,448
Total - Education Stabilization Fund				-	-	-	1,278,858
Total - Department of Education				-	8,612,970	-	12,061,240
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program							
Medicaid IEP Services	Indiana Family and Social Services Administration	93.778	FY2020, FY2021	-	177,607	-	139,938
Medicaid MAC Services	Indiana Department of Education		FY2020, FY2021	-	116,285	-	176,168
Total - Medical Assistance Program				-	293,892	-	316,106
Total - Medicaid Cluster				-	293,892	-	316,106
Total - Department of Health and Human Services				-	293,892	-	316,106
Total federal awards expended				\$ -	\$ 14,333,257	\$ -	\$ 16,433,610

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

ELKHART 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, 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.

ELKHART 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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.048	Child Nutrition Cluster	Unmodified
84.287	Career and Technical Education - Basic Grants to States	Qualified
84.425	Twenty-First Century Community Learning Centers	Unmodified
84.425	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

**Section II - Financial Statement Findings**

**FINDING 2021-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding was 2019-001.

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

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation did not have an effective internal control in place to ensure receipts pertaining to the school lunch program were deposited timely. Each school made daily bank deposits into the School Corporation's food service bank account for school lunch collections. However, the School Corporation did not receipt the school lunch collections timely into the School Corporation's accounting system. Collections were posted a month or more after initial deposit.

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

*Cause*

Management had not established a proper system of internal control that ensured activities related to school lunch receipts were posted timely to the School Corporation's accounting system.

*Effect*

The failure to establish a system of internal control enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, material misstatements in a timely manner.

*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 2021-002**

Subject: Career and Technical Education - Basic Grants to States - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Career and Technical Education - Basic Grants to States  
Assistance Listings Number: 84.048  
Federal Award Numbers and Years (or Other Identifying Numbers):

7000V048A170014,  
7000V048A180014,  
51248A18LDRSHIP,  
51248A19LDRSHIP,  
51248A20LDRSHIP,  
51248A19SECONDY,  
51248A20SECONDY

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: 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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation paid two employees a portion of their salary from the Career and Technical Education - Basic Grants to States grant during fiscal year 2019-2020. However, the portion of salary charged to the grant exceeded the allowed amount by \$39,132 based on a review of all amounts paid to the two employees from the grant. This amount was considered questioned costs.

In addition, of the 25 payroll checks tested, 3 stipend payments totaling \$3,000 could not be verified to an approved rate of pay. All of the unsupported stipend payments were considered questioned costs.

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

ELKHART 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.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . .

(g) Be adequately documented. . . ."

*Cause*

Management had not developed a system of internal control that would have ensured compliance, or that supporting documentation was maintained and available for audit, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system and to maintain supporting documentation for stipend payments prevented the determination of the School Corporation's compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Known questioned costs of \$42,132 were identified as described above in the *Condition and Context*.

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

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control to ensure documentation be maintained and made available for audit and comply with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

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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.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2019-001- Material Weakness, Noncompliance***

Fiscal year in which the finding initially occurred: 2017/19 Audit  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Valerie Moore  
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

This finding has been fully corrected. The steps identified in the Corrective Action Plan were implemented during quarter II of 2020, as anticipated.

Prepared deposits are reviewed for accuracy by both the building cafeteria Food Service Manager and the designee of the Food Service Director. Those reviewing and verifying the funds initial the completed deposit ticket to confirm the oversight occurred. Additionally, the designee of the Food Service Director reviews receipts weekly to ensure that school lunch collections are applied timely. Upon their review, their initial represents that this process has been completed. The Supervisor of Accounting, Audits, & Investments collaborates with Food Service Director and staff to ensure compliance.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2019-002- Material Weakness, Noncompliance***

Fiscal year in which the finding initially occurred: 2017/19 Audit  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Valerie Moore  
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

This finding has been fully corrected. The steps identified in the Corrective Action Plan were implemented during quarter II of 2020, as anticipated.

Through the preparation of the SEFA, the Supervisor of Accounting, Audits, and Investments references the Commodities program activity to ensure proper period for reporting on the SEFA. Additionally, the gross Medicaid funds are now recognized when received, and the services rendered on behalf of the Medicaid programming are recognized as an expense within the district's financial ledger. Upon completion of the SEFA, the Supervisor of Accounting, Audits, and Investments, the Controller, and the CFO review the SEFA before it is submitted, and initial on the prepared report to document the evaluation.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2019-003- Material Weakness***

Fiscal year in which the finding initially occurred: 2017/19 Audit  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Valerie Moore  
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

This finding has been fully corrected. The steps identified in the Corrective Action Plan were implemented during quarter II of 2020, as anticipated.

*Cash Management*

To document the review and oversight of the Food Service fund balance, the Controller updates the average three-month cash balance of the fund and posts it on the signature page of the monthly bank reconciliation. The monthly bank reconciliation is provided to both the CFO and Food Service Director.

*Program Income*

Meal prices are annually updated by the Food Service Secretary, and accuracy of the rates are reviewed and confirmed by the Food Service Director. Upon successful review and confirmation, both the Secretary and Director sign the report to document the completed procedures.

Transfers of program income are initiated and reviewed by the Food Service Bookkeeper and Food Service Office Assistant (or designee assigned by the Food Service Director). Once the transaction is complete, the Food Service Director reviews the supporting documentation of the transfer, and signs the report to document the completed review.

*Special Tests & Provisions- Verification of Free and Reduced Price Applications*

The Food Service Secretary applies the changes to the Free & Reduced Applications, and the Food Service Assistant to the Director for Elementary Schools reviews the changes to confirm accuracy. Both sign generated reports to document their review and acknowledge accuracy.

*Special Tests and Provisions- School Food Account*

The Food Service Bookkeeper prepares the transfer transactions, and provides the supporting documentation to the Food Service Director for review and authorization. The Food Service Bookkeeper then references the authorized documents and moves forward with processing the transfer transaction within the system.

The similar process is followed regarding the filing of rebates. The Food Service Bookkeeper prepares the corresponding documentation as support for the eligible rebate, and provides this information to the Food Service Director for review and authorization before the rebate is requested. Once the rebate is received, the Food Service Bookkeeper receipts the funds into the financial software. The Food Service Director is able to review the rebate transactions when they are received through the month-end processes.

*Special Tests and Provisions- Paid Lunch Equity (National School Lunch Program Only)*

To document the review and oversight of the Paid Lunch Equity that is entered into the software system which is completed by the Food Service Secretary and Food Service Director, each individual reviews the generated reports of the transactions completed. For example, the Food Service Director reviews the transactions entered by the Food Service Secretary, and the Food Service Secretary reviews the transactions entered by the Food Service Director. Both individuals initial the reports to document the completion of the review.





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2019-004- Material Weakness, Other Matters***

Fiscal year in which the finding initially occurred: 2017/19 Audit  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Valerie Moore  
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

This finding has been fully corrected. The steps identified in the Corrective Action Plan were implemented during quarter II of 2020, as anticipated.

The contract language for purchase agreements follow open bid, competitive, and noncompetitive procedures per the state and federal regulations. Upon the selection of the awarded vendor, the Bid & Commodity Coordinator completes and retains rationale of the determining factors which resulted in the award of the contract.

To comply with the requirement which prohibits the School Corporation from entering into and paying vendors who are Suspended and/or Debarred, multiple measurers were put into place. The Commodity Coordinator annually reviews the Systems for Award Management Site (SAMS) to ensure the good standing of vendors the district has contracted with. The Commodity Coordinator reports their annual verification on an internally established form. The Food Service Office Assistant (or designee assigned by the Food Service Director) reviews the form for accuracy, and provided to the Food Service Director on a monthly basis. Contracts for purchase agreements also includes language concerning the requirement to maintain good standing with the federal government.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2019-005- Material Weakness, Other Matters***

Fiscal year in which the finding initially occurred: 2017/19 Audit  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE  
Contact Person Responsible for Corrective Action: Valerie Moore  
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

This finding has been fully corrected. The steps identified in the Corrective Action Plan were implemented during quarter II of 2020, as anticipated.

Payroll stipends are communicated and authorized via both a memo released by the Grant Administrator, and upon completion of the professional development, golden claim forms are completed by the employee and signed by the Grant Administrator. The respective Payroll Clerk confirms the eligibility of the stipend by referring to the corresponding memo that the Grant Administrator released. Additionally, the Travel Expense Form that is now used has a three-tiered approval system that requires the documented oversight before payment is released.



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**CORRECTIVE ACTION PLAN**

*FINDING 2021-001*

Contact Person Responsible for Corrective Action: Director of Food Services

Contact Phone Number: (574) 262-5523

Compliance Requirements: Financial Transactions and Reporting

Internal control deficiencies resulted in gaps of proper oversight processes.

We agree with this finding.

During the audit period, school lunch collections were not receipted timely, in every instance, by the Food Service Director’s designee.

To rectify these issues, internal control improvements have been identified and implemented to ensure the accurate reporting of funds. The Food Service Director, and/or their designee, are responsible for ensuring that receipts are processed on a weekly basis. Additionally, to mitigate any opportunity for misstatement, the Controller of the Business Office will work in tandem with the Food Service Director, or their Designee, to confirm accuracy of funds deposited by the school buildings in comparison with receipt ledger balances within the financial accounting. If and when a discrepancy is identified by the Controller, the Controller will work with the Food Service Director, or their designee, to identify the variance, and address the discrepancy in advance of month-end final posting of account activity.

In conjunction with these changes to operations, routine reviews to ensure compliance are conducted by the Supervisor of Accounting, Audits, and Investments with the intent to prevent the exception from occurring in the future.

Anticipated Completion Date: June 2022

Pam Melcher  
Name of Responsible Official

Food Service Director  
Title

5/23/2022  
Date



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**CORRECTIVE ACTION PLAN**

*FINDING 2021-002*

Contact Person Responsible for Corrective Action: Career & Technical Education Director

Contact Phone Number: (574) 262-5670

Compliance Requirements: Allowable Costs/ Cost Principles

Internal control deficiencies resulted in gaps of proper oversight processes.

We agree with this finding.

During the audit period, sufficient oversight and internal controls were deficient in specific aspects of grant programming, which prevented comprehensive program compliance.

To rectify the issues as identified, oversight of program expenditures will be expanded to also include the bi-weekly payroll reports processed. This review affords the Career & Technical Education Director the opportunity to ensure that only valid employees are paid with grant funds, while also ensuring the proper amount of particular earnings are assigned to the grant, per the allowable costs. The Supervisor of Accounting, Audits, and Investments will receive corrections identified by the Career & Technical Education Director, and will ensure that proper steps are completed to rectify discrepancies, as identified.

Anticipated Completion Date: Quarter III, 2022

Brandon Eakins  
Name of Responsible Official

Career & Technical Education Director  
Title

05/24/2022  
Date

## 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/>.