

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF HOBART

LAKE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



**FILED**

02/10/2023



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-20 to 06-30-23
Business Manager	Ted Zembala Robert Glover, Jr.	07-01-20 to 06-30-21 07-01-21 to 06-30-23
Superintendent of Schools	Peggy Buffington	07-01-20 to 06-30-23
President of the School Board	Terry D. Butler	07-01-20 to 06-30-23



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of Hobart (School Corporation), for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 31, 2023, 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.

***Report on 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) as a basis for designing 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 items 2022-001 and 2022-002, 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)

***Report on 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*.

***School City of Hobart's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

January 31, 2023



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

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

***Opinion on Each Major Federal Program***

We have audited the School City of Hobart's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2020 to June 30, 2022. 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.

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, 2020 to June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

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)

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***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 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. 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.

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 Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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, 2020 to June 30, 2022, and the related notes to the financial statement. We issued our report thereon dated January 31, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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

January 31, 2023

## 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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SCHOOL CITY OF HOBART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<b>Department of Agriculture</b>							
<b>Child Nutrition Cluster</b>							
School Breakfast Program	Indiana Department of Education	10.553	FY 2022	\$ -	\$ -	\$ -	\$ 306,633
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2021	-	3,710	-	-
School Breakfast Program							
Total - School Breakfast Program				-	3,710	-	306,633
<b>National School Lunch Program</b>							
School Lunch Program	Indiana Department of Education	10.555	FY 2022	-	-	-	1,531,421
After School Snack Program			FY 2022	-	-	-	9,151
Commodities			FY 2021	-	180,419	-	-
Commodities			FY 2022	-	-	-	238,058
Subtotal - National School Lunch Program				-	180,419	-	1,778,630
<b>COVID-19 - National School Lunch Program</b>							
SNP Emergency Funds	Indiana Department of Education	10.555	FY 2022	-	-	-	41,773
School Lunch Program			FY 2021	-	16,947	-	-
Total - National School Lunch Program				-	197,366	-	1,820,403
<b>Summer Food Service Program for Children</b>							
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2021	-	1,310,626	-	-
Summer Food Service Program for Children			FY 2022	-	-	-	219,771
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2021	-	476,018	-	-
School Lunch Program							
Total - Summer Food Service Program for Children				-	1,786,644	-	219,771
Total - Child Nutrition Cluster				-	1,987,720	-	2,346,807
<b>COVID-19 - Pandemic EBT Administrative Costs</b>							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649	FY 2022	-	-	-	3,063
Total - Department of Agriculture				-	1,987,720	-	2,349,870
<b>Department of Commerce</b>							
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419	Ed-Grants-040320-002	-	4,355	-	3,866
Lake Michigan Coastal Program							
Total - Coastal Zone Management Administration Awards				-	4,355	-	3,866
Total - Department of Commerce				-	4,355	-	3,866
<b>Department of Education</b>							
<b>Special Education Cluster (IDEA)</b>							
Special Education Grants to States	Indiana Department of Education	84.027	19611-045-PN01	-	2,162	-	-
FY 2019 Federal Part B 611 Grant			20611-045-PN01	-	182,435	-	6,647
FY 2020 Federal Part B 611 Grant			21611-043-PN01	-	655,476	-	209,280
FY 2021 Federal Part B 611 Grant			22611-043-PN01	-	-	-	723,393
FY 2022 Federal Part B 611 Grant							
Subtotal - Special Education Grants to States				-	840,073	-	939,320

SCHOOL CITY OF HOBART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
COVID-19 - Special Education Grants to States FY 2022 IDEA ARP 611	Indiana Department of Education	84.027	22611-043-ARP	-	-	-	81,277
Total - Special Education Grants to States				-	840,073	-	1,020,597
Special Education Preschool Grants FY 2020 Federal Preschool 619 Grant FY 2021 Federal Preschool 619 Grant FY 2022 Federal Preschool 619 Grant	Indiana Department of Education	84.173	20619-045-PN01 21619-043-PN01 22619-043-PN01	- - -	4,147 11,637 -	- - -	- 4,848 11,419
Subtotal - Special Education Preschool Grants				-	15,784	-	16,267
COVID-19 - Special Education Preschool Grants FY 2022 IDEA ARP 619	Indiana Department of Education	84.173	22619-043-ARP	-	-	-	5,881
Total - Special Education Preschool Grants				-	15,784	-	22,148
Total - Special Education Cluster (IDEA)				-	855,857	-	1,042,745
Title I Grants to Local Educational Agencies 2019/20 Title I Part A Title I Part A Title I Part A	Indiana Department of Education	84.010	S010A190014 S010A200014 S010A210014	- - -	130,407 568,465 -	- - -	- 124,145 507,873
Total - Title I Grants to Local Educational Agencies				-	698,872	-	632,018
Supporting Effective Instruction State Grants Title II Part A FY 19 Teacher Leader Bootcamp Title II Part A Title II Part A	Indiana Department of Education	84.367	S367A190013 S367A200013 S367A200013 S367A210013	- - - -	71,766 3,489 81,460 -	- - - -	20,249 - 31,425 92,477
Total - Supporting Effective Instruction State Grants				-	156,715	-	144,151
Student Support and Academic Enrichment Program Title IV Part A Title IV Part A Title IV Part A	Indiana Department of Education	84.424	S367A190015 S424A200015 S424A210015	- - -	5,713 35,737 -	- - -	279 - 22,452
Total - Student Support and Academic Enrichment Program				-	41,450	-	22,731
COVID-19 - Education Stabilization Fund Governor's Emergency Education Relief Fund Elementary and Secondary School Emergency Relief Fund Elementary and Secondary School Emergency Relief Fund American Rescue Plan Elementary and Secondary School Emergency Relief Fund	Indiana Department of Education	84.425 84.425C 84.425D 84.425D 84.425U	S425C200018 S425D200013 S425D210013 S425U210013	- - - -	82,566 286,502 - -	- - - -	- 128,211 1,940,904 894,882
Total - COVID-19 - Education Stabilization Fund				-	369,068	-	2,963,997
Total - Department of Education				-	2,121,962	-	4,805,642

SCHOOL CITY OF HOBART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Family Social Services Administration	93.778					
Medicaid Reimbursement Federal - IEP			FY 2021	-	21,247	-	-
Medicaid Reimbursement Federal - IEP			FY 2022	-	-	-	56,536
Total - Medical Assistance Program				-	21,247	-	56,536
Total - Medicaid Cluster				-	21,247	-	56,536
Total - Department of Health and Human Services				-	21,247	-	56,536
<u>Department of Homeland Security</u>							
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) FEMA DR-45-15	Indiana Department of Homeland Security	97.036	4515DRINP0000001	-	-	-	181,939
Total - Department of Homeland Security				-	-	-	181,939
Total federal awards expended				\$ -	\$ 4,135,284	\$ -	\$ 7,397,853

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

SCHOOL CITY OF HOBART  
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, 2021 and 2022. 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 Northwest Indiana Special Education Cooperative (Cooperative). As a result, the 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 presented in the financial statement of the Cooperative's fiscal agent.

SCHOOL CITY OF HOBART  
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?	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
	Child Nutrition Cluster	Unmodified
84.010	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**

**FINDING 2022-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not separated incompatible activities related to receipts and other financing sources and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

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

*Receipts and Other Financing Sources*

The School Corporation designed a process of review or oversight over receipts and other financing sources to ensure the accuracy, completeness, timeliness, and classification of the information. However, implementation of the review or oversight process was not documented and could not be verified.

*Financial Reporting*

The School Corporation had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement). One employee prepared and entered the financial information without a documented review or oversight in place to prevent, or detect and correct, errors on the financial statement.

*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. . . ."

*Cause*

Management had not established a proper system of internal control over financial transactions and reporting.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement could have occurred and remained undetected.

*Views of Responsible Officials*

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

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

***FINDING 2022-002***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Condition and Context*

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have documentation of a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

*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. . . ."

*Cause*

Management had not established a system of internal control to ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

*Views of Responsible Officials*

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

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2022-003**

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listings Number: 84.425  
Federal Award Number and Year (or Other Identifying Number): S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
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 Equipment and Real Property Management compliance requirement.

During fiscal year 2021-2022, the School Corporation purchased \$62,769 of equipment with ESSER III funds which exceeded the School Corporation's capitalization threshold. The equipment was not added to the property record or capital asset listing which would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

The lack of internal controls and noncompliance were isolated to the property record or capital asset listing for 2021-2022.

*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 200.313(d)(1) states:

"Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

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

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management 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 internal controls to ensure compliance and comply with the grant agreement and the Equipment and Real Property Management 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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Board Attorney

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-001**

Fiscal year in which the finding initially occurred: 2018-2019

Status of Audit Finding: Corrected

### ***Internal Controls over Financial Transactions and Reporting***

Additional informational fields have been added to the attendance worksheets to comply with this Finding. Attendance worksheet fields now contain: Check Date, Pay Period, Time Location, Pay Group, Pay Type, Employee Name, Days, Hours, Pay Rate, Distribution by Fund-Account-Object-Location, Pay Amount. Attendance worksheets are reviewed, approved, and signed by the Director of Human Resources and Compliance.

Completion Date: 05/2021

Robert Glover Jr.  
Business Manager  
12/27/2022

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-002**

Fiscal year in which the finding initially occurred: 2018-2019, 2019-2020

Status of Audit Finding: Corrected

### **Federal Award Findings and Questioned Costs**

#### *Cash Management*

To ensure compliance with cash management requirements, the Assistant will complete a worksheet that compares the fund balance to the three months average expenditures, print it monthly, review it with the Director and each will sign and date the final document.

#### *Eligibility*

Each month the Director downloads and saves a copy of the Direct Certification file from the STN website. It is then uploaded it into Skyward. A report is generated by Skyward to include all students on the upload. Both the STN/DC report and the Skyward report will be compared by the Assistant to ensure that information was uploaded correctly from one system to the next. The process will be verified by dating and signing both reports by the Director and the Assistant.

#### *Program Income*

To be compliant with Program Income requirements, all fund transfers will be documented and reviewed by both the Director and the Assistant at the end of each month. Additionally, the End of the Month spreadsheets completed individually by the Director and the Assistant will be reviewed by the other. These processes will be verified by dates and signatures of each person.

Completion Date: 05/2021

Nancy Smith

Director of Food Services

1/31/2023

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Board Attorney

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-003**

Fiscal year in which the finding initially occurred: 2018-2019

Status of Audit Finding: Corrected

### **Eligibility**

The Direct Certification report will be compared against the STN report to ensure accuracy. Both the Director of Food Service and her administrative assistant will review, sign, and date the copies.

The Director of IT currently uploads the Real Time Report into the STN Application Center. Any errors reported by the STN are communicated to the building level secretary. The Director of IT will document the communication with the building secretaries.

Completion Date: 06/04/2021

### **Matching, Level of Effort, Earmarking and Reporting**

Additional informational fields have been added to the attendance worksheets to comply with this Finding. Attendance worksheet fields now contain: Check Date, Pay Period, Time Location, Pay Group, Pay Type, Employee Name, Days, Hours, Pay Rate, Distribution by Fund-Account-Object-Location, Pay Amount. Attendance worksheets are reviewed, approved, and signed by the Director of Human Resources and Compliance.

Completion Date: 05/2021

Robert Glover Jr.  
Business Manager  
12/27/2022

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## CORRECTIVE ACTION PLAN

### **FINDING 2022-001**

Contact Person Responsible for Corrective Action: Robert Glover Jr.  
Contact Phone Number: (219) 945-0250

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

### **Financial Transactions and Reporting**

#### **Receipts and Other Financing Sources**

The Business Manager will compare funds to receipts during the bank reconciliation process.

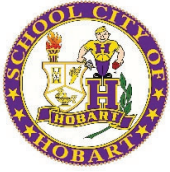
Anticipated Completion Date: 02/28/2023

### **Financial Reporting**

The Treasurer will complete the School Corporation's Annual Financial Report (financial statement) in Gateway. The Business Manager will review the financial information entered by the Treasurer. Both will sign to document approval.

Anticipated Completion Date: 02/28/2023

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Board Attorney

## CORRECTIVE ACTION PLAN

### **FINDING 2022-002**

Contact Person Responsible for Corrective Action: Robert Glover Jr.  
Contact Phone Number: (219) 945-0250

Views of Responsible Official: We concur with the finding.

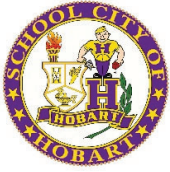
Description of Corrective Action Plan:

### **Preparation of the Schedule of Expenditures of Federal Awards**

The Treasurer will prepare the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) in Gateway. The Business Manager will review the information entered by the Treasurer. Both will sign to document approval.

Anticipated Completion Date: 02/28/2023

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Board Attorney

## CORRECTIVE ACTION PLAN

### **FINDING 2022-003**

Contact Person Responsible for Corrective Action: Robert Glover Jr.  
Contact Phone Number: (219) 945-0250

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

### **COVID-19 – Education Stabilization Fund – Equipment and Real Property**

Accounts Payable will track purchases of equipment over the capitalization threshold and notify the Business Manager of qualifying expenditures. The Business Manager will confirm that the items have been barcoded with the appropriate fund administrator.

Anticipated Completion Date: 02/28/2023

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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/>.