

STATE BOARD OF ACCOUNTS
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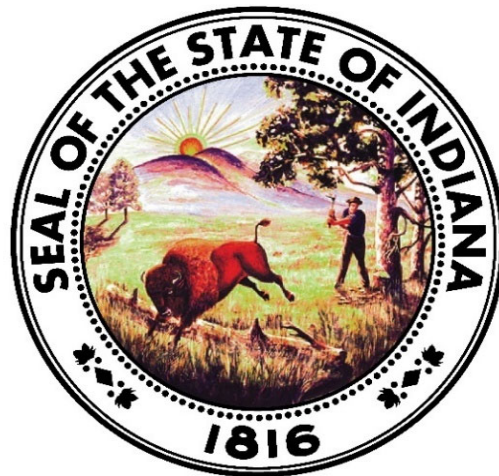
FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL TOWN OF MUNSTER

LAKE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherie Breitenbach	07-01-20 to 06-30-21
	Linda Zaborowski	07-01-21 to 12-06-22
	Jessica Espinoza	12-07-22 to 06-30-23
Superintendent of Schools	Jeffry Hendrix	07-01-20 to 06-30-22
	Bret Heller	07-01-22 to 06-30-23
President of the School Board	Ingrid Schwarz Wolf	07-01-20 to 12-31-20
	John J. Doherty	01-01-21 to 12-31-21
	Ingrid Schwarz Wolf	01-01-22 to 12-31-22
	John Castro	01-01-23 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 TOWN OF MUNSTER, 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 Town of Munster (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 February 28, 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, as 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 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 items 2022-001 and 2022-002.

School Town of Munster'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

February 28, 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 TOWN OF MUNSTER, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the School Town of Munster'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.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2020 to June 30, 2022.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2020 to June 30, 2022.

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, 2020 to June 30, 2022.

Basis for Qualified and Unmodified Opinions

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.

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)

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.

Matters Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster as described in finding number 2022-005 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.425, COVID-19 - Education Stabilization Fund as described in item 2022-006 for Special Tests and Provisions - Wage Rate Requirements. Consequently we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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.

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.

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)

- 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 items 2022-003, 2022-004, and 2022-007. 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.

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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, 2022-005, 2022-006, and 2022-007, 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)

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.

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 February 28, 2023, 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 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

February 28, 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 TOWN OF MUNSTER
 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 Listing 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 Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			SY 2021-2022	\$ -	\$ -	\$ -	\$ 374,328
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			SY 2021-2022	-	-	-	1,561,581
SNP Emergency Funds			SY 2021-2022	-	-	-	58,559
Commodities			SY 2020-2021	-	157,999	-	-
Commodities			SY 2021-2022	-	-	-	185,511
Subtotal - National School Lunch Program				-	157,999	-	1,805,651
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			SY 2021-2022	-	-	-	128,828
Total - National School Lunch Program				-	157,999	-	1,934,479
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program			SY 2020-2021	-	1,407,609	-	-
Summer Food Program			SY 2021-2022	-	-	-	94,969
Total - Summer Food Service Program for Children				-	1,407,609	-	94,969
Total - Child Nutrition Cluster				-	1,565,608	-	2,403,776
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			SY 2021-2022	-	-	-	614
Total - Department of Agriculture				-	1,565,608	-	2,404,390

SCHOOL TOWN OF MUNSTER
 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 Listing 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
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed Pat B 2019			19611-156-PN01	-	64,647	-	10,734
Special Ed. Part B FY20			20611-4740-PN01	-	181,379	-	13,684
Special Ed Part B 611 FY2021			21611-147-PN01	-	-	-	953,939
Special Ed Part B 611 FY2022			22611-147-PN02	-	-	-	819,222
				-	-	-	-
Total - Special Education Grants to States				-	246,026	-	1,797,579
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grant FY19			19619-062-PN01	-	18,009	-	5,493
Special Education Preschool Grant FY20			20619-147-PN01	-	36,301	-	183
Special Ed Part B FY21			21619-147-PN01	-	-	-	36,731
FY2022 IDEA Part B (619)			22619-147-PN01	-	-	-	29,769
				-	-	-	-
Total - Special Education Preschool Grants				-	54,310	-	72,176
Total - Special Education Cluster (IDEA)				-	300,336	-	1,869,755
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY2019-20			S010A190014	-	147,746	-	-
Title I 2020-2021			S010A190014	-	-	-	125
Title I 2020-2021			S010A200014	-	148,474	-	55,561
Title I 2021-2022			S010A210014	-	-	-	87,604
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	296,220	-	143,290
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III PartA-Eng Lang Aqu			S365A190014	-	269	-	240
Title III SY 2020-2021			S365A200014	-	11,669	-	2,537
				-	-	-	-
Total - English Language Acquisition State Grants				-	11,938	-	2,777

SCHOOL TOWN OF MUNSTER
 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 Listing 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
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FY19 2019-2021			S367A180013	-	26,101	-	-
Title II Part A 2019-21			S367A190013	-	18,816	-	34,505
Title II Part A 2019-21			S367A20013-20A	-	1,326	-	37,259
Total - Supporting Effective Instruction State Grants				-	46,243	-	71,764
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 18-20			S424A180015	-	6,948	-	-
Title IV Part A FFY19-2019-21			S424A190015	-	3,539	-	9,644
Title IV Part A FY20 2020-2022			S424A200015	-	-	-	15,795
Total - Student Support and Academic Enrichment Program				-	10,487	-	25,439
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
CARES ACT -18003		84.425D	S425D200013	-	126,223	-	107,501
CARES ACT -18003		84.425D	S425D210013	-	-	-	492,466
ESSER III (CRRSA) Grant		84.425U	S425U200013	-	-	-	386,673
Total - COVID-19 - Education Stabilization Fund				-	126,223	-	986,640
Total - Department of Education				-	791,447	-	3,099,665
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Educations	93.778					
Medicaid			SY 2021-2022	-	-	-	48,239
Medicaid			SY 2020-2021	-	52,035	-	-
Total - Medicaid Cluster				-	52,035	-	48,239
Total - Department of Health and Human Services				-	52,035	-	48,239
Total federal awards expended				\$ -	\$ 2,409,090	\$ -	\$ 5,552,294

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

SCHOOL TOWN OF MUNSTER
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 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.

SCHOOL TOWN OF MUNSTER
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
84.425	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Unmodified
	COVID-19 - Education Stabilization Fund	Qualified

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 Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

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

The School Corporation had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement).

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although the Treasurer prepared and entered the financial information into Gateway, and the Deputy Treasurer reviewed and approved the information entered, the internal control were not effective and did not detect and allow correction of errors prior to submission.

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

1. An investment redemption was incorrectly reported as a receipt which overstated the 2018 Construction fund receipts and cash and investment balances by \$6,729,885.
2. A bank to bank transfer was incorrectly reported as a receipt and disbursement which overstated the Prepaid School Lunch Food fund receipts and disbursements by \$927,876.

Audit adjustments were proposed, approved by the School Corporation, and made to 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. . . ."

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](#)."

Cause

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Officials

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

FINDING 2022-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared and entered the federal award information into Gateway, and the Deputy Treasurer reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The COVID-19 - Education Stabilization Fund expenditures were understated by \$492,466.
2. There were numerous other grant expenditures that were understated in aggregate by \$285,857.
3. Other errors included incorrect program names and identifying numbers.

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

Criteria

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510"

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

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

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2020-2021, SY 2021-2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls 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.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit period, four employees tested were assigned both Child Nutrition Cluster grant activities and other nonfederal duties. The four employees did not maintain documentation of time spent on federal program and nonfederal program activities. The total paid to the four employees from the School Lunch Fund 800 without proper documentation was \$34,827 which was considered questioned costs.

The lack of internal controls and noncompliance were isolated to the payments noted above.

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). . . ."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:

(1)

(i) Maintain a nonprofit school food service;

(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

7 CFR 225.15(a)(1) states: "Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

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.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective system of internal controls, as well as adequately document costs, enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$34,827 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will 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.

FINDING 2022-004

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 – National School Lunch Program, Summer Food Service Program for Children

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2020-2021, SY 2021-2022

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

Monthly Sponsor Claims for Reimbursement (Claims) were submitted to the Indiana Department of Education based upon meals served for the month. For two of the five Claims tested, there were differences between the Claims submitted and the School Corporation's summary meal count reports. The two Claims over reported meals by 1 and 50 meals, respectively.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b) (Uniform Guidance) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b) (Revised Uniform Guidance) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the Reporting compliance requirement.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2022-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2020-2021, SY 2021-2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Federal regulations require formal procurement methods when the value of the procurement for property or services exceeds the simplified acquisition threshold (SAT), which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 and provides that the proper purchasing method for supplies over \$150,000 would be the bidding process, unless the purchase meets certain other qualifications. Indiana Code also states that purchase requirements may not be artificially divided to qualify as a purchase under \$150,000.

Sealed bids or competitive proposals were not obtained from an adequate number of sources for one of two vendors that exceeded the simplified acquisition threshold.

Additionally, the School Corporation did not verify that two of four vendors were neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs.

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). . . ."

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.320(b) states in part:

"Formal procurement methods. When the value of the procurement for property or services under the Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

- (1) *Sealed bids.* . . .
 - (ii) If sealed bids are used the following requirements apply:
 - (A) Bids must be solicited from an adequate number of qualified sources . . .
- (2) *Proposals.* . . .
 - (i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number qualified offerors. . . ."

2 CFR 200.320(c) states:

"Noncompetitive procurement. There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

- (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
- (2) The item is available only from a single source;
- (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
- (5) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

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

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-22-8-1 states:

"(a) This chapter applies only to a purchase expected by the purchasing agent to be less than one hundred fifty thousand dollars (\$150,000).

(b) Purchase requirements may not be artificially divided so as to constitute a small purchase under this chapter."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

Auditor's Response

When the acquisition of the supplies or services, in the aggregate, are less than the simplified acquisition threshold, set at \$150,000, informal procurement methods are allowable. One check was issued to a vendor in the amount of \$232,761 for equipment purchased by the School Corporation and installed in a number of school buildings. As the amount spent with the vendor in question was over the simplified acquisition threshold, formal procurement methods should have been utilized. Formal procurement methods would have entailed obtaining sealed bids for the equipment and installation and the awarding of a contract. The award of a contract over \$25,000 would have also required the vendor to be verified to ensure that the vendor itself was not excluded or disqualified from participating in federal assistance programs. If the vendor had been excluded or disqualified, federal funds should not have been used to pay the vendor.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2022-006

Subject: COVID-19 - Education Stabilization Fund - Special Tests
and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers or Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U200013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

The School Corporation did not have adequate policies or procedures to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. One construction contract during the audit period was subject to the Wage Rate Requirements; however, the contract did not have the required prevailing wage rate clause included in the contract, nor were certified payrolls submitted by the contractor.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses. . . .

(1) *Minimum wages.*

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payroll and basic records . . .*

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established a system of internal controls that would have ensured compliance or that the required clause was included in the contracts for the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Effect

The failure to establish an effective system of internal controls and include the required clause in contracts prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

Auditor's Response

The School Corporation did not directly pay payroll with federal funds; however, federal funds were used to pay a construction contract subject to the wage rate requirements. The wage rate requirements are used to ensure that the contractor paid the prevailing wage rate to individuals performing work in relation to the construction contract. As the prevailing wage rate clause was not included in the contract and certified payrolls were not submitted, we could not determine if the wage rate requirements were met.

FINDING 2022-007

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 Numbers: 84.425D, 84.425U
Federal Award Numbers or Years (or Other Identifying Numbers): S425D210013, S425U200013
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.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the fiscal year 2021-2022, the School Corporation paid \$20,650 out of ESSER III Funds for an improvement which exceeded the School Corporation's capitalization threshold. The improvement was not added to the property record or capital asset listing. The School Corporation's capital asset listing provided did not include all required information, 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), 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. Additionally, the School Corporation did not complete a capital asset inventory every two years.

The lack of internal controls and noncompliance were isolated to SY 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 states in part:

"(d) . . .

- (1) 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 sales price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

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

Effect

The failure to establish an effective internal controls 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.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: July 1, 2019 to June 30, 2021

Status of Audit Finding:

Description of corrective action plan:

We have the SEFA looked over by another STM employee and signed before submitted. We have all the backup paperwork (grant approval letter with all the SEFA information listed, ledgers from financial system. Have just found out about a website the auditor uses. We are going to add to the current process to go out to the website (beta.sam.gov) to compare the information on the grant approval letters. We are going to check with School Nutrition and Director of Dining Services on the commodities.

Fixed/In Progress:

The SEFA is signed off on by another STM employee before it is submitted. We have had turnover in employees and are still learning and familiarizing ourselves with the reports, so we are able to ensure proper SEFA reporting.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002

Fiscal year in which the finding initially occurred: July 1, 2014 to June 30, 2016 & July 1, 2016 to June 30, 2018 & July 1, 2019 to June 30, 2021

Status of Audit Finding:

Description of corrective action plan:

We hired a new company to come in and complete a new inventory. We have our Maintenance keep a vehicle list and Technology keep a computer list of assets. On the list of our Maintenance (vehicle list) and Technology (computer list) they have marked the assets purchased with federal funds. We are all good with the procedure we have. What we are missing per the Federal Audit is another list by its self of the assets purchased with federal funds. We are going to ask the asset company to add a column to the reports and mark federal funds and ask to have a separate report showing only the assets purchased with federal funds.

Fixed/In Progress:

The School Town of Munster is currently tagging assets internally. We may utilize a company in the future, if needed. The Director of Operations was newly hired the 21/22 school year. The Director of Operations is currently doing an internal review of the Capital Asset Ledger and identifying which items were paid for out of federal funds. We are also ordering colored tags to easily identify equipment that was paid for using federal funds.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-003

Fiscal year in which the finding initially occurred: July 1, 2019 to June 30, 2021

Status of Audit Finding:

Corrective action was taken.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-004

Fiscal year in which the finding initially occurred: July 1, 2019 to June 30, 2021

Status of Audit Finding:

Corrective action was taken.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-005

Fiscal year in which the finding initially occurred: July 1, 2014 to June 30, 2016 & July 1, 2016 to June 30, 2018 & July 1, 2019 to June 30, 2021

Status of Audit Finding:

Corrective action was taken.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-006

Fiscal year in which the finding initially occurred: July 1, 2019 to June 30, 2021

Status of Audit Finding:

Corrective action taken.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-007

Fiscal year in which the finding initially occurred: July 1, 2019 to June 30, 2021

Status of Audit Finding:

Corrective action taken.



CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Jessica Espinoza
Contact Phone Number: (219) 836-9111

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

There has been turnover in the finance department and the past employees who would have been responsible for this are no longer here. There are already proper controls in place. We will continue to have a second employee verify the AFR in its entirety before it is submitted.

Anticipated Completion Date:

To be completed by August 2023 when the next AFR is due.



CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Jessica Espinoza
Contact Phone Number: (219) 836-9111

Views of Responsible Official:

Parties responsible with the previous correction plan are no longer at the school corporation. We could not have had the changes in place for the audit. We concur with the finding.

Description of Corrective Action Plan:

There are already proper controls in place. We will continue to have the SEFA looked over and signed off on by another employee. We will also have them verify what is on the SEFA to SAM.GOV. We will keep all supporting documentation together and have the second employee review everything in its entirety.

Anticipated Completion Date:

To be completed by August 2023 when the next AFR is due.



CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Jessica Espinoza
Contact Phone Number: (219) 836-9111

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

We currently only have one employee who is partially paid through the federal lunch program. Moving forward, the employee will be keeping a log of the daily start and end time working on food service. These times will be entered into her timecard as a foodservice event. The supervisor will review the time card. This will ensure that she is only being paid with federal lunch funds while she is working on food service. Also, a grant distribution payroll report for all foodservice employees is signed off on by the Director of Operations after each payroll, verifying the amounts expended from the foodservice fund.

Anticipated Completion Date:

To be completed by the next payroll dated March 3, 2023.



CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: Jessica Espinoza
Contact Phone Number: (219) 836-9111

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
There has been turnover in the finance department and the past employees who would have been responsible for this are no longer here. There are already internal controls in place to ensure that the monthly sponsor claims submitted match the school's meal count reports. The Treasurer will continue to ensure that everything is correctly entered before submission.

Anticipated Completion Date:
March 2023



CORRECTIVE ACTION PLAN

FINDING 2022-005

Contact Person Responsible for Corrective Action: Sean Begley
Contact Phone Number: (219) 836-9111

Views of Responsible Official:

We concur with the finding partially. All purchases from C&T Design were for different types of kitchen equipment located in different schools throughout the school district. For the time period audited, there were eight purchase orders. Of these purchase orders, three were created prior to the hiring of the new Director of Operations in July 2021. For the five purchase orders created by the Director of Operations, the five POs are for different types of equipment in two different schools and should be considered different projects. For each purchase a minimum of three different qualified vendors were provided the same scope, the same time, and deadline for providing a quote. In each case, C&T Design was the lowest. At the same time, the IDOE Division of School and Community Nutrition Program is expecting the School Town of Munster to follow a spend down plan in order to comply with maintaining an appropriate cash balance in the food service account. As specified in Finding 2022-005, barring a vendor from bidding due to the aggregate amount of goods and/or services provided to multiple School Town of Munster schools in one year would disqualify a company that consistently provided the lowest bid.

Description of Corrective Action Plan:

The School Town of Munster will have the school attorney conduct a legal review for all projects with an estimated cost over \$50,000 to ensure compliance under Indiana Code 4-13.6-5 Chapter 5 – Bidding Requirements. We will use SAM.GOV to verify that vendors we use are neither suspended nor debarred.

Anticipated Completion Date:
August 2023



CORRECTIVE ACTION PLAN

FINDING 2022-006

Contact Person Responsible for Corrective Action: Jessica Espinoza
Contact Phone Number: (219) 836-9111

Views of Responsible Official:

We concur with the finding partially. No federal funds were used to pay for labor.

Description of Corrective Action Plan:

We have shared the wage rate requirements with the Director of Operations. Moving forward, weekly certified payrolls will be collected for projects paid for out of federal funds. We will also ensure that contracts include the required clause in the contract.

Anticipated Completion Date:
March 2023



CORRECTIVE ACTION PLAN

FINDING 2022-007

Contact Person Responsible for Corrective Action: Sean Begley
Contact Phone Number: (219) 836-9111

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

There are currently controls in place for the recording of capital assets. Inventory that meets the \$5,000 capitalization threshold is added to the spreadsheet periodically. We had turnover in staff and did not begin to do this until 2021. We do not identify assets that have been paid for using federal funds. The Director of Operations is going to add a column to our inventory spreadsheet that will identify any items or projects over the capitalization threshold paid for out of federal funds. The project for \$20,650 has been added and corrected.

Anticipated Completion Date:
August 2023

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/>.