



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B61240

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April 13, 2023

To: The Officials of the Michigan City Area Schools  
Michigan City Area Schools  
408 South Carroll Ave.  
Michigan City, IN 46360

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the federal compliance audit of the Michigan City Area Schools for the period July 1, 2019 to June 30, 2021.

We call your attention to the findings in the report. The finding appears on page 12 through 17 of the Federal Compliance Audit Report. Please refer to the Schedule of Findings and Questioned Costs for further detail. Management's Corrective Action Plan appears on pages 18 and 19.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Financial Statement Audit and Supplemental Compliance Report for Michigan City Area Schools were prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**MICHIGAN CITY AREA SCHOOLS**  
LaPorte County, Indiana

**FEDERAL COMPLIANCE AUDIT REPORT**  
For the period of  
July 1, 2019 through June 30, 2021

MICHIGAN CITY AREA SCHOOLS  
LaPorte County, Indiana

FEDERAL COMPLIANCE AUDIT REPORT

For the period of July 1, 2019 through June 30, 2021

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MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF OFFICIALS (Unaudited)  
For the period July 1, 2019 to June 30, 2021

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lance E. Werner	07-01-19 to 06-30-21
Superintendent of Schools	Dr. Barbara Eason-Watkins	07-01-19 to 06-30-21
President of the School Board	Donald. J. Dulaney Marty M. Corley	07-01-19 to 12-31-19 01-01-20 to 06-30-21

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

Those Charged with Governance  
Michigan City Area Schools  
LaPorte County, Indiana

We have audited, in accordance with the 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 Michigan City Area Schools ("School Corporation"), which comprise the statement of receipts, disbursements, other financing sources (uses), and cash and investment balances of the School Corporation as of June 30, 2021 and for the period July 1, 2019 to June 30, 2021 and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement, and have issued our report thereon dated March 30, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 statements, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 financial statement. 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*.

## **Management's Response to Finding**

The School Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
March 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance  
Michigan City Area Schools  
LaPorte County, Indiana

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

We have audited Michigan City Area Schools' (the 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 the School Corporation's major federal programs for the period July 1, 2019 to June 30, 2021. The School Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on the Special Education Cluster***

As described in the accompanying schedule of findings and questioned costs, the School Corporation did not comply with requirements regarding the Special Education Cluster (ALNs 84.027 and 84.173) as described in finding number 2021-002 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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(Continued)

### ***Qualified Opinion on the Special Education Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the period July 1, 2019 to June 30, 2021.

### ***Unmodified Opinion on 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 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 July 1, 2019 to June 30, 2021.

### ***Other Matters***

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

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(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2019 to June 30, 2021 and the related notes to the financial statement. We issued our report thereon dated July 28, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
March 30, 2023

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the period of July 1, 2019 through June 30, 2021

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	Total Federal Awards Expended 06-30-20	Total Federal Awards Expended 06-30-21	Total Federal Awards Expended
<u>Department of Agriculture</u>						
Child Nutrition Cluster						
School Breakfast Program	Indiana Department of Education	10.553	FY2020, FY2021	\$ 613,582	\$ -	\$ 613,582
National School Lunch Program		10.555	FY2020, FY2021	1,835,043	32,073	1,867,116
Commodities		10.555	FY2020, FY2021	244,661	304,058	548,719
Summer Food Service Program for Children		10.559	FY2020, FY2021	<u>747,707</u>	<u>1,928,457</u>	<u>2,676,164</u>
Total - Child Nutrition Cluster				<u>3,440,993</u>	<u>2,264,588</u>	<u>5,705,581</u>
Child and Adult Care Food Program	Indiana Department of Education					
School Supper		10.558	FY2020, FY2021	<u>22,855</u>	<u>-</u>	<u>22,855</u>
Fresh Fruit and Vegetable Program	Indiana Department of Education					
Fresh Fruit and Vegetable Program		10.582	FY2020, FY2021	<u>69,314</u>	<u>42,560</u>	<u>111,874</u>
Total - Department of Agriculture				<u>3,533,162</u>	<u>2,307,148</u>	<u>5,840,310</u>
<u>Department of Labor</u>						
WIOA Cluster						
WIA Adult Program	The Center of Workforce Developments					
Adult Education I		17.258	C1-1-ABE-0-01	<u>1,942</u>	<u>-</u>	<u>1,942</u>
Total - WIOA Cluster				<u>1,942</u>	<u>-</u>	<u>1,942</u>
Total - Department of Labor				<u>1,942</u>	<u>-</u>	<u>1,942</u>
<u>Department of Education</u>						
Special Education Cluster(IDEA)						
Special Education Grants for States	Indiana Department of Education					
IDEA-Part B		84.027	18611-038-PN01	55,937	-	55,937
IDEA-Part B		84.027	19611-038-PN01	255,437	88,269	343,706
IDEA-Part B		84.027	20611-036-PN01	1,522,764	179,694	1,702,458
IDEA-Part B		84.027	21611-036-PN01	<u>-</u>	<u>1,538,684</u>	<u>1,538,684</u>
Total - Special Education Grants to States				<u>1,834,138</u>	<u>1,806,647</u>	<u>3,640,785</u>
Special Education Preschools Grants	Indiana Department of Education					
IDEA-Preschool		84.173	20619-036-PN01	57,597	12,257	69,854
IDEA-Preschool		84.173	18619-038-PN01	12,317	-	12,317
IDEA-Preschool		84.173	21619-036-PN01	<u>-</u>	<u>54,818</u>	<u>54,818</u>
Total - Special Education Preschools Grants				<u>69,914</u>	<u>67,075</u>	<u>136,989</u>
Total - Special Education Cluster(IDEA)				<u>1,904,052</u>	<u>1,873,722</u>	<u>3,777,774</u>

(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the period of July 1, 2019 through June 30, 2021

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	Total Federal Awards Expended 06-30-20	Total Federal Awards Expended 06-30-21	Total Federal Awards Expended
Adult Education - Basic Grant to States	The Center for Workforce Development					
Adult Education - 18/19		84.002	AE8-01	\$ 89,767	\$ -	\$ 89,767
Adult Education - 19/20		84.002	AE8-01-4925-2019	2,886	-	2,886
Adult Education - 20/21		84.002	AE8-01-4925-2019	-	2,343	2,343
Adult Education - 19/20		84.002	CWI-20-05	-	11,636	11,636
Total - Adult Education - Basic Grant to States				<u>92,653</u>	<u>13,979</u>	<u>106,632</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education					
Title I, Part A		84.010	S010A180014	930,994	-	930,994
Title I, Part A		84.010	S010A190014	1,276,013	982,634	2,258,647
Title I, Part A		84.010	S010A200014	-	1,223,843	1,223,843
Total - Title I Grants to Local Educational Agencies				<u>2,207,007</u>	<u>2,206,477</u>	<u>4,413,484</u>
Career and Technical Education - Basic Grants to State	Indiana Governor's Workforce Cabinet					
Carl Perkins- 2018 Summer Expension		84.048	18A-4700-4925	29,135	-	29,135
Carl Perkins - 18/19		84.048	19-4700-4925	98,338	-	98,338
Carl Perkins 2019/2020		84.048	20-0512-4925	206,840	94,355	301,195
Perkins Assessment - 2020		84.048	20-0512-A006	3,694	-	3,694
19/20 Pilot Program Planning Grant		84.048	20-0512-PP01	-	4,913	4,913
Perkins Summer Bridge Grant		84.048	20-0521-SB06	-	10,458	10,458
20/21 Perkins Basic grant		84.048	21-0512-4925	-	177,343	177,343
20/21 Perkins CTE COVID-19 Assistance Grant		84.048	21-0512-C006	-	16,808	16,808
Total - Career and Technical Education - Basic Grants to States				<u>338,007</u>	<u>303,877</u>	<u>641,884</u>
Education For Homeless Children and Youth	Indiana Department of Education					
McKinney Vento - 18/19		84.196	7000A196A180015	17,124	-	17,124
21st Century Community Learning Centers	Indiana Department of Education					
21st Century - Innovation Grant		84.287	7000-S010A170014	8,210	-	8,210
21st Century - Cohort 8 Yr 2		84.287	S287C170014	27,775	-	27,775
21st Century - Cohort 9 Yr 1		84.287	S287C170014	52,103	-	52,103
21st Century Cohort 8 Yr 3		84.287	S287C180014	162,471	62,529	225,000
21st Century Cohort 9 Yr 2		84.287	S287C180014	232,768	67,232	300,000
Cohort 9 Yr 3		84.287	S287C180014	-	106,924	106,924
Cohort 8 Yr 4		84.287	S287C200014	-	132,551	132,551
Total - 21st Century Community Learning Centers				<u>483,327</u>	<u>369,236</u>	<u>852,563</u>

(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the period of July 1, 2019 through June 30, 2021

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	Total Federal Awards Expended 06-30-20	Total Federal Awards Expended 06-30-21	Total Federal Awards Expended
English Language Acquisition State Grants Title III, Part A	Indiana Department of Education	84.365	S365A190014	\$ 2,313	\$ 3,948	\$ 6,261
Supporting Effective Instruction State Grants Title II, Part A	Indiana Department of Education	84.367	S367A170013	119,475	-	119,475
Title II, Part A		84.367	S367A180013	154,278	114,660	268,938
Title II, Part A		84.367	S367A190013	53,970	122,490	176,460
Title II, Part A		84.367	S367A201113	-	15,859	15,859
Total - Supporting Effective Instruction State Grants				<u>327,723</u>	<u>253,009</u>	<u>580,732</u>
School Improvement Grant School Improvement Grant	Indiana Department of Education	84.377	S377A140015	<u>115,806</u>	<u>90,842</u>	<u>206,648</u>
Student Support and Academic Enrichment Program Title IV, Part A	Indiana Department of Education	84.424	S424A170015	45,952	-	45,952
Title IV, Part A		84.424	S424A180015	71,022	64,304	135,326
Title IV, Part A		84.424	S424A190015	<u>9,167</u>	<u>48,788</u>	<u>57,955</u>
Total - Student Support and Academic Enrichment Program				<u>126,141</u>	<u>113,092</u>	<u>239,233</u>
COVID-19 - Education Stabilization Fund Governor's Emergency Education Relief (GEER) Fund	Indiana Department of Education	84.425C	S425C200018	-	578,849	578,849
Elementary and Secondary School Emergency Relief (ESSER) Fund		84.425D	S425D200013	<u>-</u>	<u>1,164,194</u>	<u>1,164,194</u>
Total COVID-19 - Education Stabilization Fund				<u>-</u>	<u>1,743,043</u>	<u>1,743,043</u>
Total - Department of Education				<u>5,614,153</u>	<u>6,971,225</u>	<u>12,585,378</u>
<u>Department of Health and Human Services</u>						
Medicaid Cluster Medical Assistance Program INMAC	Public Consulting Group	93.778	FY2020, FY2021	<u>335,287</u>	<u>402,350</u>	<u>737,637</u>
Total - Medicaid Cluster				<u>335,287</u>	<u>402,350</u>	<u>737,637</u>
Total - Department of Health and Human Services				<u>335,287</u>	<u>402,350</u>	<u>737,637</u>
Total federal awards expended				<u>\$ 9,484,544</u>	<u>\$ 9,680,723</u>	<u>\$ 19,165,267</u>

See accompanying notes to the schedule of expenditure of federal awards.

MICHIGAN CITY AREA SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Period of July 1, 2019 to June 30, 2021

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**NOTE 1 - BASIS OF PRESENTATION**

*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 period of July 1, 2019 to June 30, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following 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 as allowed under the Uniform Guidance.

**NOTE 3 - OTHER INFORMATION**

The School Corporation did not have any subrecipient activity for the period July 1, 2019 to June 30, 2021.

MICHIGAN CITY AREA SCHOOLS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 July 1, 2019 to June 30, 2021

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**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 weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u>	None Reported

Noncompliance material to financial statement noted?	<u>      </u>	Yes	<u>  X  </u>	No
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***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u>	None Reported

Type of auditor’s report issued on compliance for major programs:	Child Nutrition Cluster: Unmodified Title I Grants to Local Educational Agencies: Unmodified Special Education Cluster: Qualified COVID-19 – Education Stabilization Fund: Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u>  X  </u>	Yes	<u>      </u>	No
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Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.425C, 84.425D	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	<u>      </u>	Yes	<u>  X  </u>	No
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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section II – Financial Statement Findings**

**FINDING 2021-001**

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

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

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

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within 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.

(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.

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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section II – Financial Statement Findings** (Continued)

**FINDING 2021-001** (Continued)

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number (ALN) or other identifying number when the ALN information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

**Condition:** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

**Cause:** Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

**Context:** The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. There was no evidence presented during the audit that the SEFA was reviewed prior to submission. During substantive testing of the SEFA, the following errors were noted that resulted in the net understatement on the SEFA by \$355,689 for the period July 1, 2019 through June 30, 2021:

1. The Child Nutrition Cluster funds were understated by \$86,312.
2. The Fresh Fruit and Vegetable Program funds were overstated by \$10,859.
3. The Special Education Clusters funds were overstated by \$12,317 due to a preschool grant entered into the Grant Schedule twice.
4. The Medicaid Cluster funds were understated by \$292,553 due to the federal share of IEP services received during the audit period not being included.
5. Three grants listed on the SEFA had incorrect assistance listing numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA to correct the issues noted above.

**Effect:** Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could go undetected. The SEFA contained the errors identified in the Context section.

**Identification as a repeat finding, if applicable:** No.

**Recommendation:** We recommended that the School Corporation's management establish a formal review over the SEFA to ensure amounts reported are accurate. The School Corporation should establish a documented, secondary review to ensure the amounts reported on the SEFA agree to the supporting federal receipt fund ledger detail. The review should also verify all non-financial data is accurately reported.

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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section II – Financial Statement Findings** (Continued)

**FINDING 2021-001** (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

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

**FINDING 2021-002**

**Information on the federal program:**

Subject: Special Education Cluster – Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listing Numbers: 84.027, 84.173  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Material Weakness, Qualified Opinion

**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 200.320 states in part:

". . . (b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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 the SAM Exclusions; or
- (b) Collecting a certification from that person; or

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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2021-002** (Continued)

(c) Adding a clause or condition to the covered transaction with that person."

The School Corporation's purchasing policy states in part:

"All procurement transactions shall be conducted in a manner that encourages full and open competition and is in accordance with good administrative practice and sound business judgement. In order to promote objective contractor performance and eliminate unfair competitive advantage, the Corporation shall exclude any contractor that has developed or drafted specifications, requirements, statements of work, or invitations for bids or requests for proposals from competition for such procurements. . . ."

"Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$100,000 but is less than the competitive bid threshold of \$150,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources. . . ."

"The Corporation shall not subcontract with or award subgrants to any person or company who is debarred or suspended. For contracts over \$25,000, the Corporation shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at [www.sam.gov](http://www.sam.gov); collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor." (2 CFR Part 180 Subpart C)

**Condition:** An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the Special Education Program and related Procurement and Suspension and Debarment compliance requirements.

**Cause:** The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

**Effect:** The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation did not follow state and federal procurement regulations for vendors exceeding the simplified acquisition threshold. There was one vendor with disbursements exceeding the \$150,000 threshold for simplified acquisitions during the audit period. The School Corporation did not solicit bids required under the simplified acquisition method. The amount disbursed to the vendor during the audit period was \$303,512.

**Identification as a repeat finding, if applicable:** Yes, See Finding 2019-004.

**Recommendation:** We recommended that the School Corporation's management establish and implement control procedures to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. This should include soliciting bids for any disbursements charged to a federal fund over the simplified acquisition threshold.

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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2021-002** (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

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

**Finding 2021-003**

**Information on the federal program:**

Subject: Education Stabilization Fund – Internal Controls  
Federal Agency: Department of Education  
Federal Program: COVID-19 – Education Stabilization Fund  
Assistance Listing Number: 84.425C and 84.425D  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Significant Deficiency

**Criteria:** 2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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) 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 Financial reporting . . . ."

34 CFR 76.722 states:

"A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirements.

**Cause:** The School Corporation's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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(Continued)

MICHIGAN CITY AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2019 to June 30, 2021

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**Finding 2021-003** (Continued)

**Effect:** The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The Annual Data Report for the period of March 13, 2020 to September 30, 2020 was due to the Indiana Department of Education (IDOE) by January 21, 2021 for the GEER and ESSER grant award. During testing of internal controls surrounding reporting, it was noted there was no documented review by someone other than the preparer of the report to ensure the information submitted was complete and accurate.

**Identification as a repeat finding:** No.

**Recommendation:** We recommend someone other than the preparer of the report perform a documented, secondary review prior to submission to validate the accuracy and completeness of the data submitted.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.



CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS  
June 30, 2021

**FINDING 2021-001**

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

**Condition:** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

**Context:** The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. There was no evidence presented during the audit that the SEFA was reviewed prior to submission. During substantive testing of the SEFA, the following errors were noted that resulted in the net understatement on the SEFA by \$355,689 for the period July 1, 2019 through June 30, 2021:

1. The Child Nutrition Cluster funds were understated by \$86,312.
2. The Fresh Fruit and Vegetable Program funds were overstated by \$10,859.
3. The Special Education Clusters funds were overstated by \$12,317 due to a preschool grant entered into the Grant Schedule twice.
4. The Medicaid Cluster funds were understated by \$292,553 due to the federal share of IEP services received during the audit period not being included.
5. Three grants listed on the SEFA had incorrect assistance listing numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA to correct the issues noted above.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action.

Each federal grant manager will receive notice of scheduled submission and a completed expenditure report for approval prior to submission. A copy of the report and managers signature will be filed with the submitted documentation in the finance office.

**Responsible party and timeline for completion:** Kevin McGuire, CFO and Tracey Haas, Treasurer will begin the process prior to the next scheduled submission.

**FINDING 2021-002**

**Information on the federal program:**

Subject: Special Education Cluster – Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listing Numbers: 84.027, 84.173  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Material Weakness, Qualified Opinion

**Condition:** An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the Special Education Program and related Procurement and Suspension and Debarment compliance requirements.

**Context:** The School Corporation did not follow state and federal procurement regulations for vendors exceeding the simplified acquisition threshold. There was one vendor with disbursements exceeding the \$150,000 threshold for simplified acquisitions during the audit period. The School Corporation did not solicit bids required under the simplified acquisition method. The amount disbursed to the vendor during the audit period was \$303,512.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action.

All state and federal laws will be adhered to prior to the approval of any contract. The finance department will ensure all required processes and paperwork is maintained by the grant manager prior to request for contract approval.

**Responsible party and timeline for completion:** Starting April 1, 2023, Kevin McGuire, CFO and Tracey Haas, Treasurer will confirm all paperwork is filed and procurement policies are followed.

### **Finding 2021-003**

#### **Information on the federal program:**

Subject: Education Stabilization Fund – Internal Controls  
Federal Agency: Department of Education  
Federal Program: COVID-19 – Education Stabilization Fund  
Assistance Listing Number: 84.425C and 84.425D  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Significant Deficiency

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirements.

**Context:** The Annual Data Report for the period of March 13, 2020 to September 30, 2020 was due to the Indiana Department of Education (IDOE) by January 21, 2021 for the GEER and ESSER grant award. During testing of internal controls surrounding reporting, it was noted there was no documented review by someone other than the preparer of the report to ensure the information submitted was complete and accurate.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding. Grant managers will submit grant documentation to their immediate supervisor or the superintendent of schools for review and approval prior to the grant submission. Approvals will be filed with the grant documentation in the finance office.

**Responsible party and timeline for completion:** Starting April 1, 2023 Kevin McGuire, CFO will verify all federal grants have been reviews and approved.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2019-001**

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

**Condition and Context:** There were several 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 cash and investments, receipts, payroll disbursements, and reporting.

#### *Cash and Investments*

The School Corporation had a control in place over cash and investments; however, the control was not effective. The control did not ensure that all bank accounts were reconciled or that a combined bank reconciliation of all accounts was performed and agreed to the financial statement. Noncompliance occurred and was not detected.

The School Corporation did not prepare a monthly reconciliation of the Solar Project bank account. In addition, a combined reconciliation of all bank accounts and School Corporation funds was not performed.

In 2018, the School Lunch fund became part of the School Corporation's official records. The Food Service Director reviewed the School Lunch bank reconciliation prepared by the food service finance assistant. There was no review of the reconciliation by the School Corporation to ensure that it agreed with the Corporation's financial software.

The Clearing Account - Food Service Prepaid Collections fund (fund 8400) was not reconciled to the total of the individual students' meal accounts on a monthly basis. As of June 30, 2018 and 2019, the reported balance in the financial statement exceeded the total of the individual meal accounts by \$7,663 and \$6,758, respectively,

#### *Receipts*

Receipts were recorded in the School Corporation's financial system without oversight or review.

#### *Payroll Disbursements*

Payroll distribution reports were printed and provided to the Deputy Treasurer for review; however, there was no documentation of a review.

#### *Average Daily Membership Reporting*

There was a lack of control over Average Daily Membership (ADM) Reporting. The ADM count was submitted to the Indiana Department of Education without oversight or review.

**Status:** Resolved.

## **FINDING 2019-002**

Subject: Child Nutrition Cluster - Internal Controls  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children  
Assistance Listing Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Allowable Costs/Cost Principles, Cash Management  
Audit Finding: Material Weakness

**Condition and Context:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Cash Management compliance requirements.

### *Allowable Costs/Cost Principles - Form 9*

The Indiana Department of Education used the Form 9 financial reports submitted by the School Corporation to determine the indirect cost rate. These reports were comprised of the School Corporation's transactions recorded during the audit period. Controls were not in place to ensure expenditures were recorded properly by fund, account, and object code. The lack of controls was a systemic issue throughout the audit period.

### *Allowable Costs/Cost Principles - Indirect Cost Rate Proposal*

The School Corporation submitted an Indirect Cost Rate Proposal as required when indirect costs were claimed. Controls were not in place to ensure that the proposal was accurate and included all supporting documentation. The lack of controls was a systemic issue throughout the audit period.

### *Cash Management (School Breakfast Program and National School Lunch Program only)*

The School Corporation did not have effective controls in place to monitor the School Lunch fund monthly cash balances to ensure that they were limited to three months average expenditures. The information used in the spreadsheet to monitor the monthly cash balances was inaccurate. The lack of controls was a systemic issue throughout the audit period.

**Status:** Resolved.

## **FINDING 2019-003**

Subject: Child Nutrition Cluster - Procurement  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children  
Assistance Listing Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

**Condition and Context:** The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

### *Small Purchases*

The School Corporation did not follow its own purchasing policy in regards to procurement methods for small purchases. They did not receive or document three price or rate quotes obtained from qualified sources for 50 percent of the vendors tested.

### *Simplified Acquisition*

The School Corporation did not follow its own purchasing policy in regard to procurement methods for simplified acquisition. They did not solicit bids for purchases that exceeded \$150,000 for simplified acquisitions for two of the six vendors during the audit period.

The lack of controls were systemic issues throughout the audit period. Approximately 55 percent of the total grant fund disbursements were Uniform Guidance vendor procurements. The noncompliance for simplified acquisition and small purchases were 12 percent of the procurement expenditures.

**Status:** Resolved.

## **FINDING 2019-004**

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

Federal Agency: Department of Education

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

Assistance Listing Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-038-PN01, 14217-038-PN01, 18611-038-PN01, 19611-038-PN01, 18619-038-PN01, 45717-038-PN01, 19619-038-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

**Condition and Context:** The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

### *Small Purchases*

The School Corporation did not follow its own purchasing policy in regards to procurement methods for small purchases. They did not receive or document three price or rate quotes obtained from qualified sources for any small purchases tested.

### *Simplified Acquisition*

The School Corporation did not follow its own purchasing policy in regard to procurement methods for simplified acquisition. They did not solicit bids for purchases that exceeded \$150,000 for simplified acquisitions during the audit period.

### *Suspension and Debarment*

The School Corporation did not verify that its contracted vendors were not suspended or debarred from participation in federal programs as required by the School Corporation's procurement policy.

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

**Status:** Recurring. See Finding 2021-002.

## **FINDING 2019-005**

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grant to Local Educational Agencies

Assistance Listing Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 7000S010A150014;

7000S010A160014; 7000S010A170014; 7000S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

**Condition and Context:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

The Indiana Department of Education (State) used the Form 9 financial reports submitted by the School Corporation to determine if they met the required level of effort - maintenance of effort, and in the State's submission of the average State per pupil expenditure data submitted to the National Center for Education Statistics. These reports were comprised of the School Corporation's transactions recorded during the audit period.

Controls were not in place to ensure that expenditures were recorded properly by fund, account, and object code.

The lack of controls was a systemic issue throughout the audit period.

**Status:** Resolved.