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# Lewis Cass Intermediate School District

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**June 30, 2019**

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

**Independent Auditor's Report**

To the Board of Education  
Lewis Cass Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District (the "Intermediate School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Intermediate School District's basic financial statements. We issued our report thereon dated October 21, 2019, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 21, 2019.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

October 21, 2019

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Education  
Lewis Cass Intermediate School District

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 statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District (the "Intermediate School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Intermediate School District's basic financial statements, and have issued our report thereon dated October 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Intermediate School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Intermediate School District'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 Intermediate School District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Intermediate School District's financial statements are 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Intermediate School District's Response to the Finding**

The Intermediate School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Intermediate School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Education  
Lewis Cass Intermediate School District

**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 Intermediate School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 21, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Education  
Lewis Cass Intermediate School District

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

We have audited Lewis Cass Intermediate School District's (the "Intermediate School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Intermediate School District's major federal program for the year ended June 30, 2019. The Intermediate School District's major federal program is 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 program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Intermediate School District'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* (the "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 Intermediate School District'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 Intermediate School District's compliance.

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

In our opinion, the Intermediate School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

To the Board of Education  
Lewis Cass Intermediate School District

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

Management of the Intermediate School District 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 Intermediate School District'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 Intermediate School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Plante & Moran, PLLC*

October 21, 2019

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	Grant/Project Number	CFDA Number	Award Amount	(Memo Only)	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/		Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
				Prior Year Expenditures			Payments In-kind Received	Federal Expenditures		
Clusters:										
Special Education Cluster - U.S. Department of Education - Passed through the Michigan Department of Education Education - Special Education Flowthrough:										
Project number 190450/1819	190450/1819	84.027	\$ 1,599,082	\$ -	\$ -	\$ -	\$ 521,554	\$ 673,914	152,360	\$ -
Project number 180450/1718	180450/1718	84.027	1,568,957	734,214	167,849	-	744,051	791,742	215,540	-
Project number 170450/1617	170450/1617	84.027	1,584,657	1,584,657	212,478	-	212,478	-	-	-
Project number 180480/1718	180480/1718	84.027	45,000	45,000	17,597	-	17,597	-	-	-
Project number 190493/1819	190493/1819	84.027	110,000	-	-	-	92,695	102,874	10,179	-
Project number 180491/1718	180491/1718	84.027	50,000	50,000	11,838	-	11,838	-	-	-
Total Special Education Flowthrough		84.027	4,957,696	2,413,871	409,762	-	1,600,213	1,568,530	378,079	-
Preschool Incentive:										
Project number 190460/1819	190460/1819	84.173	48,968	-	-	-	36,576	48,968	12,392	-
Project number 180460/1718	180460/1718	84.173	47,372	47,372	19,223	-	19,223	-	-	-
Project number 170460/1617	170460/1617	84.173	47,606	47,606	2,323	-	2,323	-	-	-
Total Preschool Incentive		84.173	143,946	94,978	21,546	-	58,122	48,968	12,392	-
Total Special Education Cluster			5,101,642	2,508,849	431,308	-	1,658,335	1,617,498	390,471	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Michigan Department of Community Health - Medicaid Outreach - 2018-2019										
	N/A	93.778	24,393	-	-	-	24,393	24,393	-	13,467
Total clusters			5,126,035	2,508,849	431,308	-	1,682,728	1,641,891	390,471	13,467
Other federal awards:										
U.S. Department of Education - Passed through the Michigan Department of Education:										
Early Intervention Services (IDEA):										
Project number 191340/1819	191340/1819	84.181	76,595	-	-	-	76,595	76,595	-	-
Project number 181340/1718	181340/1718	84.181	58,016	58,016	38,233	-	38,233	-	-	-
Total Early Intervention Services (IDEA)		84.181	134,611	58,016	38,233	-	114,828	76,595	-	-
Race to the Top - Early Learning Challenge -										
Project number 144720-1718	144720-1718	84.412	46,557	14,707	14,707	-	30,071	15,364	-	-
Technical Education (Perkins III) - Passed through Berrien RESA -										
Career and Technical Education	193520/191219	84.048	113,455	-	-	-	69,605	113,455	43,850	4,823
Career and Technical Education	183520/181219	84.048	93,811	93,811	3,492	-	3,492	-	-	-
Total Technical Education (Perkins III)		84.048	207,266	93,811	3,492	-	73,097	113,455	43,850	4,823
Total U.S. Department of Education noncluster programs			388,434	166,534	56,432	-	217,996	205,414	43,850	4,823
Total federal awards			\$ 5,514,469	\$ 2,675,383	\$ 487,740	\$ -	\$ 1,900,724	\$ 1,847,305	\$ 434,321	\$ 18,290

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2019**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lewis Cass Intermediate School District (the "Intermediate School District") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Intermediate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Intermediate School District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Intermediate School District has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Note 3 - Grant Auditor Report**

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**Note 4 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2019 that is included in the schedule of expenditures of federal awards.

**Lewis Cass Intermediate School District**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2019**

**Note 5 - Federal Awards Provided to Subrecipients**

The expenditures related to federal awards provided to subrecipients for the year ended June 30, 2019 are as follows:

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
Medicaid Outreach - 2018-2019 - Passed through to:		
Cassopolis Public Schools	93.778	\$ 3,547
Dowagiac Union Schools	93.778	4,964
Edwardsburg Public Schools	93.778	3,446
Marcellus Community Schools	93.778	<u>1,510</u>
Total Medicaid Outreach - 2018-2019		<u>13,467</u>
Perkins - Project number 193520/191219 - Passed through to:		
Cassopolis Public Schools	84.048	393
Dowagiac Union Schools	84.048	64
Edwardsburg Public Schools	84.048	326
Marcellus Community Schools	84.048	<u>4,040</u>
Total Perkins - Project number 193520/191219		<u>4,823</u>
Total		<u>\$ 18,290</u>

**Lewis Cass Intermediate School District**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

**Lewis Cass Intermediate School District**

**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2019**

**Section II - Financial Statement Audit Findings**

Reference Number	Finding
2019-001	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The Intermediate School District's internal control structure should ensure that proper segregation of duties is in place to prevent intentional or unintentional errors in recording accounting data, to ensure that balances are properly supported and reported, and to prevent the intentional misappropriation of assets. Controls surrounding information technology (IT) should be segregated, and the accounting team members should not have full administrative access.</p> <p><b>Condition</b> - Inadequate segregation of duties exists across several functions of the Intermediate School District, including the accounts payable, payroll, and IT functions due to system user access rights within the financial accounting software.</p> <p><b>Context</b> - Due to the size of the Intermediate School District, certain staff have the ability to access payroll master files, change payroll data throughout the year, and process and reconcile payroll. Additionally, staff working in the business office have the ability to post transactions, print cash disbursements, add new vendors, book journal entries, and modify accounts within the general ledger system.</p> <p><b>Cause</b> - Proper procedures and controls are not in place to ensure the proper segregation of duties within the accounts payable, payroll, and IT functions of the Intermediate School District, including the enabling of improper user access to financial and personnel applications in the Intermediate School District's IT system.</p> <p><b>Effect</b> - There is a risk that improper or unauthorized expenditures may have been incurred by the Intermediate School District.</p> <p><b>Recommendation</b> - The Intermediate School District should review staff responsibilities and access in the system to ensure appropriate segregation of duties is in place.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Lewis Cass Intermediate School District agrees with the above recommendation. The Intermediate School District has a limited amount of staff but will review staff responsibilities and work to implement appropriate segregation of duties.</p>

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	