

School District U-46
Elgin, Illinois

Reports Required By the Uniform Guidance and
Government Auditing Standards

Year Ended June 30, 2022

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RSM US LLP

**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

Members of the Board of Education
School District U-46

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District U-46, Illinois (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

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

RSM US LLP

Chicago, Illinois
December 15, 2022



RSM US LLP

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Members of the Board of Education
School District U-46

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited School District U-46, Illinois' (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 programs. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design and implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules and provisions of contracts or grant agreements applicable to the District'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 District'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 District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District'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 District'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 District'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 audit procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District'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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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 requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District'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 statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated December 15, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

RSM US LLP

Chicago, Illinois
March 31, 2023

School District U-46
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education:				
Passed through Illinois State Board of Education:				
Title I Grants to Local Education Agencies:				
Title I : Low Income	84.010A	22-4300-00 21-4300-00	\$ - -	\$ 7,605,618 22,959
			-	7,628,577
Title I: School Improvement and Accountability	84.010A	22-4331-00 21-4331-21	- -	334,733 14,004
			-	348,737
Total Title I Grants to Local Education Agencies			-	7,977,314
<hr/>				
Twenty-First Century Community Learning Centers:				
Title IV - 21st Century Community Learning Centers	84.287C	22-4421-15 21-4421-15	- -	254,319 12,042
			-	266,361
<hr/>				
Special Education Cluster (IDEA)				
Special Education - Preschool Grants: IDEA Preschool	84.173A	22-4600-00	-	166,852
Special Education - Grants to States: IDEA Part B	84.027A	22-4620-00 22-4620-EI	- -	6,453,693 569,429
			-	7,023,122
Special Education - Grants to States: IDEA Part B - Room & Board	84.027A	22-4625-00 21-4625-00	- -	313,616 94,055
			-	407,671
Total Special Education Cluster (IDEA)			-	7,597,645
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English Language Acquisition Grants:				
Title III : Immigrant Education Program (IEP)	84.365A	22-4905-00	-	2,134
Title III : Language Instruction Program - Limited English	84.365A	22-4909-00 21-4909-00	- -	867,912 185,271
			-	1,053,183
Total English Language Acquisition Grants			-	1,055,317

(Continued)

**School District U-46
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education (continued):				
Passed through Illinois State Board of Education (continued):				
Supporting Effective Instruction State Grants:				
Title II : Teacher Quality	84.367A	22-4932-00 21-4932-00	\$ - -	\$ 1,773,811 25,850
			-	1,799,661
COVID-19 - Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	21-4998-E2	-	10,001,338
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	22-4998-E3	-	20,803,813
Governor's Emergency Education Relief Fund (GEER)	84.425C	21-4998-EC	-	34,892
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	22-4998-HL	-	23,658
Passed through Kane County Regional Office of Education:				
Elementary and Secondary School Emergency Relief (ESSER I - Digital Equity)	84.425D	499921	-	6,400
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	499836	-	71,513
			-	30,941,614
Passed through Illinois Department of Human Services				
Rehabilitation Services - Vocational Rehabilitation Grants to States: Rehabilitation Services	84.126	22-H126A250018	-	96,600
Passed through Northern Kane County Regional Career and Technical Education System:				
Career and Technical Education - Basic Grants to States: Perkins Secondary	84.048A	22-4745-00 21-4745-00	- -	275,940 8,895
			-	284,835
Passed through Illinois State Board of Education:				
Career and Technical Education - Basic Grants to States: Perkins Secondary	84.048A	22-4745-IG	-	5,840
Total Career and Technical Education - Basic Grants to States			-	290,675
Total U.S. Department of Education			-	50,025,187

(Continued)

School District U-46
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through Illinois State Board of Education:				
Child Nutrition Cluster				
National School Lunch Program - Non-Cash USDA Foods	10.555	31045046022A1	\$ -	\$ 761,988
National School Lunch Program - Department of Defense Fresh Fruits and Vegetables, Non-Cash	10.555	31045046022A1	-	1,295,208
National School Lunch Program	10.555	22-4210-00	-	13,633,633
		22-4210-SC	-	641,492
		21-4210-00	-	2,839,145
		21-4210-BT	-	5,814
		21-4210-SN	-	278,071
			-	17,398,155
School Breakfast Program	10.553	22-4220-00	-	4,245,446
		21-4220-00	-	822,857
			-	5,068,303
Summer Food Service Program	10.559	21-4225-00	-	164,486
Total Child Nutrition Cluster			-	24,688,140
Child and Adult Care Food Program	10.558	22-4226-00	-	767,897
		21-4226-00	-	142,186
		21-4226-CH	-	34,731
			-	944,814
Total U.S. Department of Agriculture			-	25,632,954
U.S. Department of Health and Human Services:				
Passed through Illinois Department of Healthcare and Family Services				
Medicaid Cluster				
Medical Assistance Program	93.778	499800	-	1,493,493
Total Medicaid Cluster			-	1,493,493
Total U.S. Department of Health and Human Services			-	1,493,493
Total Expenditures of Federal Awards			\$ -	\$ 77,151,634

See Notes to Schedule of Expenditures of Federal Awards.

School District U-46

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of School District U-46, Illinois (the District) under programs of the federal government for the year ended June 30, 2022. The information in this 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting which is the same basis used in preparing governmental fund financial statements of the District. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

There were no federal awards expended for insurance at year-end. There were no loan programs or guarantees outstanding for the year ended June 30, 2022. No funds were identified as having been provided to subrecipients by the District under the meaning of the Uniform Guidance, and accordingly, no funds identified in the Schedule are attributable to subrecipient entities as required by the Uniform Guidance. For the year ended June 30, 2022, the District received \$2,057,196 of noncash assistance in the form of food commodities that is included under the Department of Agriculture passed through the Illinois State Board of Education (ALN #10.555).

Note 3. Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Assistance Listing Number (ALN) Totals

Total federal expenditures for ALN with multiple project numbers are as follows:

Assistance Listing Number	2022
84.010A	\$ 7,977,314
84.027A	7,430,793
84.365A	1,055,317
84.425D	10,007,738
84.425U	20,875,326
84.048A	290,675
10.555	19,455,351

School District U-46

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? 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 2 CFR 200.516(a)?

Yes No

Identification of the major programs:

Assistance Listing Numbers Names of Federal Program or Cluster

	Child Nutrition Cluster:
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.559	Summer Food Service Program for Children (SFSP)
	COVID-19 - Education Stabilization Funds:
84.425C	Governor's Emergency Education Relief (GEER) Fund
84.425D	Elementary and Secondary School Emergency (ESSER) Relief Fund
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)
84.425W	American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth

Dollar threshold used to distinguish between type A and type B programs

\$2,314,549

Auditee qualified as low-risk auditee?

Yes No

School District U-46

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

PART II - FINANCIAL STATEMENT FINDINGS

(A) Internal Control

No matters reported

(B) Compliance Findings

No matters reported

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022**

PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2022-001: Procurement

Federal Program:

Child Nutrition Cluster awarded by the U.S. Department of Agriculture under assistance listing numbers 10.553 – School Breakfast Program (SBP); 10.555 – National School Lunch Program (NSLP); and 10.559 – Summer Food Service Program for Children (SFSP) under award numbers 21N1199 (Federal Award Year 2021) and 22N1099 (Federal Award Year 2022). Passed through the Illinois State Board of Education under award numbers 31045046022A1, 22-4210-00, 22-4210-SC, 21-4210-00, 21-4210-BT, 21-4210-SN, 22-4220-00, 21-4220-00, and 21-4225-00.

Condition:

The District procured \$4,666,376 of food commodities from a vendor without publicizing the procurement opportunity or obtaining sealed bids or competitive proposals. Instead, the District obtained the commodities under a group purchasing agreement through a group purchasing organization in which the District participates.

The District also procured \$18,797 of goods from a vendor and was unable to provide documentation of how the vendor was selected for the procurement or that the vendor was properly reviewed to determine the vendor was not debarred.

Criteria:

Uniform Grant Guidance (2 CFR 200.320(b)) states good or services which exceed the simplified acquisition threshold (which in 2022 was \$250,000) must be acquired via competitive selection using sealed bids or proposals received in response to a publicized procurement opportunity.

The U.S. Department of Agriculture memo SP-05-2017 “Q&A: Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third-Party Services” states child nutrition program operators must publish procurement opportunities which are over the simplified acquisition threshold for goods available through a group purchasing organization and must evaluate the group purchasing organization’s response compared to those of the other responders.

Uniform Grant Guidance (2 CFR 200.320(a)(2)) states if small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. The District’s procurement policy sets its small purchase threshold at \$1,500.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonable ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure procurement procedures are properly followed and support is properly maintained.

Cause:

The District was unaware that procurement through a group purchasing organization would not meet the competitive selection criteria of Uniform Guidance. The District also experienced turnover in its procurement and food services departments which lead to its inability to locate some information.

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022**

PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2022-001: Procurement (continued)

Questioned Cost:

The difference between the amount paid and what would have been paid if competitive bids/proposals were received in response to a publicized procurement opportunity for the procurement that exceeded \$4 million in response to a publicized procurement opportunity. This amount is not quantifiable.

Context:

The District made procurements from 50 vendors during fiscal year 2022 that met either the small purchase threshold or the simplified acquisition threshold. The samples tested were not intended to be, and were not, statistically valid samples.

Recommendation:

We recommend the District review its procurement procedures for when purchases are made with federal funds from group purchasing organizations and retain quotes and other information used when selecting a vendor in the associated procurement file.

District's Response:

The District accepts the auditor's finding and has created a corrective action plan.

Potential Effect:

Not publicizing procurement opportunities for large purchases could result in the District not receiving the best price available while not retaining documentation of how procurements were awarded and evaluated could lead to the District approving payments to vendors that do not meet federal requirements. (Finding Code No. 2022-001)

School District U-46

**Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended June 30, 2022**

II. FINANCIAL STATEMENT FINDINGS

(A) Internal Control

No matters reported

(B) Compliance Findings

No matters reported

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

(A) Internal Control

No matters reported

(B) Compliance Findings

No matters reported



School District U-46

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**School District U-46
Corrective Action Plan
Year Ended June 30 2022**

Finding 2022-001 Procurement

Finding:

The District procured \$4,666,376 of food commodities from a vendor without publicizing the procurement opportunity or obtaining sealed bids or competitive proposals. Instead, the District obtained the commodities under a group purchasing agreement through a group purchasing organization in which the District participates.

The District also procured \$18,797 of goods from a vendor and was unable to provide documentation of how the vendor was selected for the procurement or that the vendor was properly reviewed to determine the vendor was not debarred.

Corrective Action Planned:

The District will obtain bids for the food commodities for the next school year and review and, if necessary, update its procedures for retaining documentation to support procurement actions.

Expected Implementation Date:

Spring/Summer 2023

Contact Person:

Dale Burnidge