

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lela Simmons	07-01-21 to 06-30-24
Superintendent of Schools	Dee-Etta Wright (Vacant)	07-01-21 to 07-06-21 07-07-21 to 07-13-21
	Dr. Steven D. Disney, Jr. (Vacant)	07-14-21 to 10-08-21 10-09-21 to 10-17-21
	Dr. Shaunna Finley	10-18-21 to 06-30-22
	Dr. Javier Abrego (Vacant)	07-01-22 to 06-30-23 07-01-23 to 07-03-23
	Dr. Marlon Mitchell	07-04-23 to 06-30-24
	President of the School Board	Vanessa Hernandez-Orange
Joel Rodriguez		01-03-23 to 03-04-24
Jose Arteaga		03-05-24 to 06-30-24



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of East Chicago (School Corporation), for the period of July 1, 2021 to June 30, 2023, 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 6, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002.

School City of East Chicago's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2024



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Disclaimed and Qualified Opinions

We have audited the School City of East Chicago's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Title I Grants to Local Educational Agencies and COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023; and we were engaged to audit the School Corporation's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Disclaimed and Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2021 to June 30, 2023.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Disclaimed and Qualified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

Disclaimer of Opinion on Child Nutrition Cluster

Because of the significance of the matters described in the *Basis for Disclaimed and Qualified Opinions* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023.

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

Basis for Disclaimed and Qualified Opinions

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

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

Matters Giving Rise to Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.010 Title I Grants to Local Educational Agencies, as described in item 2023-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-007 and 2023-009 for Equipment and Real Property Management and Special Tests and Provisions - Wage Rate Requirements, respectively. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matter Giving Rise to Disclaimer of Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Child Nutrition Cluster, as described in item 2023-003 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Service Accounts. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, and 2023-009, to be material weaknesses.

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

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 6, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2021-2022	\$ -	\$ 517,364	\$ -	\$ -
School Breakfast Program			FY 2022-2023	-	-	-	1,167,615
				-	517,364	-	1,167,615
Total - School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2021-2022	-	1,149,722	-	-
National School Lunch Program			FY 2022-2023	-	-	-	2,538,406
After School Snack			FY 2021-2022	-	670	-	-
After School Snack			FY 2022-2023	-	-	-	19,678
Supply Food Chain Assistance			FY 2022-2023	-	-	-	162,861
Commodities			FY 2021-2022	-	293,529	-	-
Commodities			FY 2022-2023	-	-	-	186,592
				-	1,443,921	-	2,907,537
Subtotal - National School Lunch Program							
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
COVID-19 - SNP Emergency Funds			FY 2021-2022	-	331,475	-	-
				-	1,775,396	-	2,907,537
Total - National School Lunch Program							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program			FY 2021-2022	-	353,849	-	-
Summer Food Program			FY 2022-2023	-	-	-	87,748
				-	353,849	-	87,748
Total - Summer Food Service Program for Children							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY 2021-2022	-	11,021	-	-
				-	2,657,630	-	4,162,900
Total - Child Nutrition Cluster							

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			FY 2021-2022	-	18,411	-	-
Child and Adult Care Food Program			FY 2022-2023	-	-	-	4,024
Subtotal - Child and Adult Care Food Program				-	18,411	-	4,024
COVID-19 - Child and Adult Care Food Program	Indiana Department of Education	10.558					
COVID-19 - Child and Adult Care Food Program			FY 2021-2022	-	38,276	-	-
Total - Child and Adult Care Food Program				-	56,687	-	4,024
Farm to School Grant Program	Indiana Department of Education	10.575					
Farm to School Grant Program			FY 2021-2022	-	6,964	-	-
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649					
Pandemic EBT Administrative Costs			FY 2021-2022	-	3,063	-	-
Pandemic EBT Administrative Costs			FY 2022-2023	-	-	-	3,135
Total - Pandemic EBT Administrative Costs				-	3,063	-	3,135
Total - Department of Agriculture				-	2,724,344	-	4,170,059
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Cluster (IDEA)			19611-012-PN01	-	223,909	-	-
Special Education Cluster (IDEA)			20611-012-PN01	-	313,153	-	224,649
Special Education Cluster (IDEA)			21611-012-PN01	-	406,168	-	350,301
Special Education Cluster (IDEA)			22611-012-PN01	-	-	-	529,754
Special Education Cluster (IDEA)			23611-012-PN01	-	-	-	-
Subtotal - Special Education Grants to States				-	943,230	-	1,104,704
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027					
Special Education ARP			21611-012-ARP	-	2,207	-	78,006
Total - Special Education Grants to States				-	945,437	-	1,182,710

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool			19619-012-PN01	-	8,569	-	-
Special Education Preschool			20619-012-PN01	-	2,261	-	7,759
Special Education Preschool			21619-012-PN01	-	28,883	-	13,481
Special Education Preschool			22619-012-PN01	-	-	-	30,004
Subtotal - Special Education Preschool Grants				-	39,713	-	51,244
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool ARP			21619-012-ARP	-	-	-	10,015
Total - Special Education Preschool Grants				-	39,713	-	61,259
Total - Special Education Cluster (IDEA)				-	985,150	-	1,243,969
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant			S010A190014	-	496,252	-	-
Title I Basic Grant			S010A200014	-	1,137,431	-	-
Title I Basic Grant			S010A210014	-	1,496,550	-	1,907,270
Title I Basic Grant			S010A220014	-	-	-	1,506,408
Total - Title I Grants to Local Educational Agencies				-	3,130,233	-	3,413,678
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Career and Technical Education - Basic Grants to States			20-0512-4670	-	70,342	-	-
Perkins			21-0512-4670	-	59,137	-	54,323
Perkins			22-0512-4670	-	-	-	66,346
Total - Career and Technical Education - Basic Grants to States				-	129,479	-	120,669
English Language Acquisition State Grants	Indiana Department of Education	84.365					
English Language Acquisition			S365A190014	-	22,073	-	-
English Language Acquisition			S365A200014	-	27,375	-	4,983
English Language Acquisition			S365A210014	-	8,150	-	4,379
Total - English Language Acquisition State Grants				-	57,598	-	9,362
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Supporting Effective Instruction			S367A190013	-	87,143	-	36,868
Supporting Effective Instruction			S367A200013	-	98,584	-	91,508
Supporting Effective Instruction			S367A210013	-	-	-	125,493
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	185,727	-	253,869

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Student Support and Academic Enrichment Program			S424A190015	-	195,596	-	-
Student Support and Academic Enrichment Program			S4242000015	-	188,842	-	27,202
Student Support and Academic Enrichment Program			S424A210015	-	78,459	-	133,258
Student Support and Academic Enrichment Program			S424A220015	-	-	-	43,058
Total - Student Support and Academic Enrichment Program				-	462,897	-	203,518
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governors Emergency Education Relief GEER Fund		84.425C	S425C200018	-	564,157	-	6,056
Elementary and Secondary School Emergency Relief ESSER Fund		84.425D	S425D200013	-	999,661	-	1,190,819
Elementary and Secondary School Emergency Relief ESSER Fund		84.425D	S425D210013	-	2,955,745	-	1,455,732
Elementary and Secondary School Emergency Relief ESSER Fund		84.425U	S425U210014	-	2,064,062	-	184,851
Total - COVID-19 - Education Stabilization Fund				-	6,583,625	-	2,837,458
Total - Department of Education				-	11,534,709	-	8,082,523
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid - IEP			FY 2020-2021	-	42,851	-	-
Medicaid - IEP			FY 2022-2023	-	-	-	35,121
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid - MAC			FY 2020-2021	-	136,964	-	-
Medicaid - MAC			FY 2020-2021	-	-	-	228,792
Medicaid - MAC			FY 2022-2023	-	-	-	86,743
Total - Medical Assistance Program				-	179,815	-	350,656
Total - Medicaid Cluster				-	179,815	-	350,656
Total - Department of Health and Human Services				-	179,815	-	350,656
Total federal awards expended				\$ -	\$ 14,438,868	\$ -	\$ 12,603,238

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2022 and 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Disclaimer
84.425	Title I Grants to Local Educational Agencies	Qualified
84.425	COVID-19 - Education Stabilization Fund	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$811,263

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

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

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

Condition and Context

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cash and Investments (Bank Reconciliations)

The School Corporation had not properly designed or implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

The reconciliation of the bank and ledger activity was prepared by the Treasurer without proper oversight or review to ensure the bank reconciliations were prepared and that reconciling items were corrected in a timely manner.

The February 2022 through June 2023 monthly bank reconciliations were not performed until November 2023.

Furthermore, the monthly bank reconciliations did not include all funds and bank accounts of the School Corporation. The monthly bank reconciliations omitted the Self-Insurance fund and the medical insurance bank account balance until it was closed in October 2022.

The monthly bank reconciliations of the School Corporation bank accounts did not agree to the record balance, resulting in monthly variances. At June 30, 2022 and 2023, the adjusted bank balance was greater than the record balance by \$83,854 and \$204,882, respectively. The financial statement was not adjusted for these unknown variances.

Receipts

The School Corporation had not properly designed, implemented, or documented internal controls over receipts to ensure the accuracy and completeness of the ledgers.

From July 2021 through October 2022, one employee received collections, prepared the bank deposits, took the deposit to the bank, and recorded the receipts to the financial system without a documented system of oversight or review.

Payroll Disbursements

The School Corporation had not properly designed or implemented internal controls to ensure the accuracy of payroll disbursements.

A process was not in place to ensure that employees were paid the correct rate of pay. A School Board approved salary schedule for noncertified personnel was not provided for audit. The Payroll Supervisor computed the noncertified personnel rates of pay based on an old salary schedule, and School Board approved increases over the years, without a documented review or oversight process. Additional audit time was spent performing other procedures to ascertain if payroll disbursements were fairly stated in the financial statement.

Other Financing Sources and Uses - Receipts and Disbursements

The School Corporation had not properly designed or implemented internal controls over recording transactions for transfers between funds and proceeds of long-term debt to ensure the accuracy of the ledgers.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Treasurer recorded the transfers between funds and the proceeds of long-term debt to the financial system without a documented system of oversight or review.

Financial Reporting

The School Corporation did not have a system of internal control over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statement. The AFR was submitted by one individual without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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. . . ."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls over financial transactions and reporting.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to properly establish a system of internal controls over cash and investments enabled misstatements or irregularities to remain undetected for several years without further research to identify the variance or correcting entries to be timely posted to the ledger. The failure to properly establish a system of internal controls over receipts, disbursements, and financial reporting could have enabled misstatements or irregularities to occur and remain undetected.

Views of Responsible Officials

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

FINDING 2023-002

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

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-002.

Condition and Context

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

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

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

1. The School Breakfast Program expenditures were overstated by \$275,666 and understated by \$1,167,615 as of June 30, 2022 and 2023, respectively.
2. The National School Lunch Program expenditures were overstated by \$452,464 and understated by \$773,001 as of June 30, 2022 and 2023, respectively.
3. Several other grants had individual immaterial errors that resulted in combined errors of \$743,432 and \$977,581 as of June 30, 2022 and 2023, respectively.
4. Other errors included incorrect program names, federal Assistance Listings Numbers, and pass-through or other identifying numbers.

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3-8.7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each 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 the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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

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

Cause

Management of the School Corporation had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Non-Profit School Food Service Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program
Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2021-2022, FY 2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Non-Profit School Food Service Accounts
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-005.

Condition and Context

The School Corporation had not designed or implemented a system of internal controls to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of the food service program.

The School Corporation entered into two cost reimbursement contracts with two food service management companies (FSMC) during the audit period. Four invoices for payment to the FSMC, which totaled \$746,491, were selected for testing. Supporting documentation was presented for only \$319,679 of the costs invoiced. Due to the lack of supporting documentation, we were unable to determine if the remaining costs paid, \$426,812, were allowable expenditures. The costs that were not properly documented were considered questioned costs.

In the supporting documentation presented for audit, sales tax was erroneously paid totaling \$861. These unallowable costs were considered questioned costs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCHOOL CITY OF EAST CHICAGO
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(Continued)

7 CFR 210.21(f)(1) states in part:

". . . (ii)

(A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

(B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in manner suitable for contract cost determination and verification.

(iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .

(vi) The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

7 CFR 220.7(e) states in part:

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

(1)

(i) Maintain a nonprofit school food service;

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

7 CFR 210.14(a) states in part:

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

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

SCHOOL CITY OF EAST CHICAGO
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(Continued)

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

(g) Be adequately documented. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, required supporting documentation could be provided to verify costs paid to the FSMC were allowable and only for the operation of the school food program. In addition, unallowable costs, sales tax, were paid.

Noncompliance with the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$427,673 were identified as explained in the *Condition and Context*.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure all costs are adequately documented and only allowable costs are paid from the school food accounts.

Views of Responsible Officials

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

FINDING 2023-004

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program

Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2021-2022, FY 2022-2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-003.

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance for the acquisition of property and services that fell within the small purchase procedures.

When the value of goods or services exceeds the simplified acquisition threshold, the proper purchasing method would be the bidding process, unless the purchase meets certain other qualifications. Federal regulations allow for informal procurement methods when the value of the procurement for goods or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources. If it is determined a single source provider can be used for a small purchase, documentation must be retained supporting the determination.

Five small purchase vendors were selected for testing. Of the five small purchase vendors tested, the School Corporation did not obtain price or rate quotes for four of the vendors. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit.

Additionally, the School Corporation did not obtain approval of its food service management company contract for the fiscal year 2022-2023 from the Indiana Department of Education as required.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCHOOL CITY OF EAST CHICAGO
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(Continued)

2 CFR 200.318(a) states:

"The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327."

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Indiana Code 5-22-8-3(d) states: "If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use document procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include:

(2) *Small purchases –*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. 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. . . ."

7 CFR 210.16(a) states in part:

". . . Any school food authority that employs a food service management company in the operation of its nonprofit school food service shall: . . ."

SCHOOL CITY OF EAST CHICAGO
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(Continued)

- (10) Ensure that the State agency has reviewed and approved the contract terms and that the school food authority has incorporated all State agency required changes into the contract or amendment before any contract or amendment to an existing food service management company contract is executed. Any changes made by the school food authority or a food service management company to a State agency pre-approved prototype contract or State agency approved contract term must be approved in writing by the State agency before the contract is executed. When requested, the school food authority must submit all procurement documents, including responses submitted by potential contractors, to the State agency, by the due date established by the State agency."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, small purchase procurement procedures for goods and services were not adhered to and the School Corporation's food service management contract was not approved.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls and develop policies and procedures to ensure procurement procedures for goods and services are adhered to and that their food service management contract be approved.

Views of Responsible Officials

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

FINDING 2023-005

Subject: Title I Grants to Local Educational Agencies - Reporting

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014,
S010A210014, S010A220014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance to ensure that reimbursement requests or final expenditure reports were properly supported.

Reimbursement Requests

A sample of five reimbursement requests were selected for testing. Of the five reimbursement requests tested, one reimbursement request was determined to be a duplicate of a previous reimbursement request. This resulted in the School Corporation being over reimbursed \$268,855. On February 7, 2023, the School Corporation returned \$7,027 of the amount reimbursed twice to the Indiana Department of Education (IDOE); however, the School Corporation failed to return the remaining \$261,828, which is considered questioned costs.

Due to the error noted above, an additional six reimbursement requests were selected for testing. No errors were identified with the additional reimbursement requests.

Final Expenditure Reports

Two final expenditure reports were due during the audit period. Both reports were selected for testing. For one of the two final expenditure reports submitted, the School Corporation did not report the parental involvement and nonpublic set asides, which should have been reported based on the Title I Application for FY2021.

The lack of internal controls and noncompliance were isolated to the one reimbursement request and one final expenditure report identified above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

SCHOOL CITY OF EAST CHICAGO
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(Continued)

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 and 200.329. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, there was one reimbursement request in which the School Corporation was over reimbursed and one final expenditure that was not reported accurately.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$261,828 were identified as noted in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls and develop policies and procedures to ensure expenditures are only requested once for reimbursement, that overpayments are promptly returned to the IDOE, and that reports include all required information.

Views of Responsible Officials

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-006

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A190014, S010A200014, S010A210014, S010A220014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-006.

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance to ensure that documentation regarding the reason for a student being removed from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

The Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement necessitated that for students removed from the high school graduation cohort for mobility reasons there be proper written documentation to support the identified mobility code. There were 14 students selected for testing. Of the 14 students tested, 2 students did not have the required supporting documentation to substantiate removal from the cohort for mobility reasons, and 2 students did not have any supporting documentation.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

20 USC 7801(23)(B) states:

"To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, proper documentation was not maintained for students that were removed from the cohort for mobility reasons.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a proper system of internal controls and develop policies and procedures to ensure proper documentation is maintained for students that are removed from the cohort.

Views of Responsible Officials

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

FINDING 2023-007

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013, S425U210014

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance related to the purchase of equipment with federal award dollars.

A property record or capital asset listing is required to be maintained for all equipment purchased with the COVID-19 - Education Stabilization Fund grant award. Equipment to be included in the listing is that which exceeds the School Corporation's capital asset threshold. The School Corporation's capital asset policy identifies a capital asset as an item which cost at or above \$1,000.

The School Corporation hired a third party to maintain a capital asset listing along with completing a physical inventory bi-annually. When compiling the capital asset listing, the third party used a capital asset threshold at or above \$5,000, which excluded all equipment purchased, totaling \$916,205, with the COVID-19 - Education Stabilization Fund award (program). As such, the School Corporation did not maintain a capital asset listing with the equipment purchased with program funds, the School Corporation could not have conducted a physical inventory bi-annually as required and could not properly maintain and safeguard the equipment as required.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

". . .

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the equipment purchased was not properly added to the capital asset listing and a bi-annual inventory was not properly completed.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure asset records include all assets.

Views of Responsible Officials

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

FINDING 2023-008

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports. The annual data reports were compiled, prepared, and submitted by one person without an oversight or review process in place to prevent, or detect and correct, errors.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

Views of Responsible Officials

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-009

Subject: COVID-19 - Education Stabilization Fund - Special
Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The School Corporation had not designed nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. Five construction contracts, totaling \$550,628, were paid from the COVID-19 - Education Stabilization Fund grant funds during the audit period. All five contracts were tested; however, none of the contracts contained the required prevailing wage rate clause nor were certified payrolls submitted by the contractors.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

29 CFR 5.5 states in part:

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

(1) *Minimum wages.*

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

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

(ii)

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

2 CFR 200 Appendix II states in part:

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

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, construction contracts entered into did not contain the required wage rate requirements clauses nor were certified payrolls obtained by the School Corporation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001 and 2021-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 17-18

Current Audit Period: July 2021 – July 2023

Finding Subject: Financial Transactions

Summary of Finding:

The School Corporation had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, transfers between funds, and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors. Recommendation was to implement internal controls in all financial daily, monthly and yearly activities.

Status of Audit Finding:

Partially Corrected: Finding 2021-001 partially corrected. No written internal controls has not been drafted. A request was made to prior Superintendent to have an outside vendor to draft an official Internal Controls for the district financial department. This request put on hold for further understanding. The CFO has passed more responsibility with Finance Clerk's to insure separation of duties. The Finance clerks and the CFO are reviewing Receipts and Claims. The Operation Clerk input State Payables and Cash Deposit. The second clerk in the finance office makes bank deposits. Second Clerk in the Finance office Review invoices, controls open PO's for payments, upload documents to DLGF, and prepare invoices for final approval by the CFO. Payroll Supervisor submitted new salary schedules for approval to the Board and Superintendent. The CFO with approval does transfer from Federal personal. AFR is entered Data Analysis and reviewed by the CFO before submission. The CFO had a program written in the RDS System to insure the Business Manager completes Bank Statements. The business manager position has vacant for over a year. The CFO has completed the Bank Statement

Cash & Investments: Not corrected - Bank Reconcilements are handled by one individual.

Receipts: Not Corrected - Still no physical documentation of the review process over receipts.

Payroll Disbursements: Partially Corrected - Payroll Distribution reported are reviewed by someone other than the payroll clerk to ensure employees are paid the correct amount and paid from the correct fund. Still no approval of salary schedules.

Receipts and Disbursements – Transfers Between Fund: Not corrected. Still no physical documentation of the review process over transfers.

Financial Reporting: Not corrected. Still no physical documentation of the review process.

Response Comments:

The district has experience turnover in upper management, this cause serval extra duties to be pushed down the lower level directors. This causes over site on correct internal controls. The CFO is request additional review for having a Vendor complete Policies and Internal Controls over all financial level duties. A least one more staff member needs to be added to the finance team to ensure separation of duties.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002 and 2021-002

Fiscal year in which the finding initially occurred: 2011-2012
Current Audit Period: July 2021 – July 2023

Finding Subject: Financial Transactions
Summary of Finding:

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

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

Status of Audit Finding:

*Not Corrected: Finding 2021-002. No written internal controls drafted. A request made to prior Superintendent to have an outside vendor to draft an official Internal Controls for the district financial department. This request put on hold. The CFO has requested that all Federal Award Cash Request receipts to have a copy of the original state request form attached to the Receipt. This action implemented. All federal funds are under review for correct balances by the CFO. CFO working with Federal distractors Polices in place to ensure all funds are balance at month end. Work in progress.
 CFO prepared the SEFA and Data Analyst reviewed the SEFA visually.*

Response Comments:

The district has experience turnover in upper management, this cause serval extra duties to be pushed down the lower level directors. This causes over site on correct internal controls. The CFO is request additional review for having a Vendor complete Policies and Internal Controls over all financial level duties. A least one more staff member added to the finance team to ensure separation of duties (the Business Office Manager Position Was not replaced).

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-004 and 2021-003

Fiscal year in which the finding initially occurred: July 2017- July 2019

Current Audit Period: July 2021 – July 2023

Finding Subject: Child Nutrition Cluster - Procurement

Summary of Finding:

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

The School Corporation did not have a system of internal control in place for the acquisition of property and services that fell within the small purchase procedures. The School Corporation did not have a system of internal control in place to ensure that vendors were not suspended, debarred, or otherwise excluded from participating in federal assistance programs prior to entering into contracts that exceeded \$25,000.

Status of Audit Finding:

Partially Corrected: Finding 2021-003 partially corrected. No written internal controls drafted. A request made to prior Superintendent to have an outside vendor to draft an official Internal Controls for the district financial department. This request put on hold. SCEC has retained a new Food Service Company. The prior company had several management turnovers. The district is working closely to ensure that all procurement requirements upheld. The District has hired an internal Food Service Director.

Response Comments:

The district has experience turnover in upper management, this cause serval extra duties to be pushed down the lower level directors. This causes over site on correct internal controls. The CFO is request additional review for having a Vendor complete Policies and Internal Controls over all financial level duties. The District has hired an internal Food Service Director

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-004

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: Child Nutrition Cluster - Cash Management

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Status of Audit Finding:

Corrected: Finding 2021-004 has fully been corrected.

Response Comments:

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-005

Fiscal year in which the finding initially occurred: July 2019- July 2021
Current Audit Period: July 2021 – July 2023

Finding Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - School Food Service Accounts

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements.

Status of Audit Finding:

Partially Corrected: Finding 2021-005 partially corrected. No written internal controls drafted. A request made to prior Superintendent to have an outside vendor to draft an official Internal Controls for the district financial department. This request put on hold. The District has hired a new FSMC and a District Food Director. Back-up is added to all invoices and submitted on a timely manner.

Response Comments:

The district has experience turnover in upper management, this cause serval extra duties to be pushed down the lower level directors. This causes over site on correct internal controls. The CFO is request additional review for having a Vendor complete Policies and Internal Controls over all financial level duties. The District has hired an internal Food Service Director

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-006

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions
 - Annual Report Card, High School Graduation Rate

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the reason for a student being removed from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

Status of Audit Finding:

Not Corrected: Finding 2021-006. The Federal Program Department has trained personal of the detail steps to ensure all student records are complete. The Federal Department is in the process of developing written documents for staff and parents. The High School Principal has approved the Withdraws Process.

Response Comments:

The district has experienced turnovers in upper management, this cause serval extra duties to be pushed down to lower level directors. This caused over site on correct internal controls. The CFO has requested an additional review by having an outside Vendor complete Policies and Internal Controls over all financial level duties. Parent notifications will be added to the Student Handbook. Staff will be addressed during PD days and materials will be available.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-007

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: Title I Grants to Local Educational Agencies - Eligibility

Summary of Finding:

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

Status of Audit Finding:

Corrected: Finding 2021-007. Corrective action was taken.

Response Comments:

Corrective action was taken.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-008

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: Title I Grants to Local Educational Agencies - Earmarking

Summary of Finding:

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

Status of Audit Finding:

Corrected: Finding 2021-008.

Response Comments:

Corrective action was taken.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-009

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: COVID-19 - Education Stabilization Fund - Reporting

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the annual Elementary and Secondary School Emergency Relief (ESSER) and the Governor’s Emergency Education Relief (GEER) annual Data Collection reports (Reports) were prepared, reviewed, and retained for audit.

Status of Audit Finding:

Partially Corrected Finding 2021-009: The Title Department has completed all recent reports in a timely manner. Reports submitted to the State. Updates reports uploaded to SCEC website. Prior Superintendent had a delay on signing off on documents to be upload to the Website. The Title Department is currently working with the print shop personal to ensure all documents uploaded in a timely manner.

Response Comments:

These ESSER 1 and GEER has closed, all final reports submitted to the Federal Entity. The current grants reports are done by due date.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-010

Fiscal year in which the finding initially occurred: July 2019- July 2021

Current Audit Period: July 2021 – July 2023

Finding Subject: COVID-19 - Education Stabilization Fund - Special Tests

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement. The School Corporation did not have effective internal controls in place to ensure that the amount calculated for equitable services on the GEER I application was calculated correctly, and that supporting documentation was retained for audit. The School Corporation did not have internal controls in place to ensure that equitable services to eligible private schools were provided to students.

Status of Audit Finding:

Not Corrected: Finding 2021-010.

Response Comments:

The GEER grant has closed, and the GEER calculation was a one-time calculation that cannot be changed. The Directors that completed the grant are no longer in the district. Both employees left at the end of SY 2021.

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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

There were deficiencies in the internal control system at the School Corporation related to financial transactions. The School Corporation has not separated incompatible activities related to cash and investments, receipts, payroll disbursements, transfers between funds, proceeds of Long-Term Debt, and financial reporting. Segregation of duties for each of these areas has not been designed or implemented to prevent or detect and correct errors.

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

Cash and Investments (Bank Reconciliation): More accountability will be added to ensure Bank Reconciliations are completed monthly and other task on or before due date. All uploads will be reviewed monthly by two Financial Team members. A policy and procedure will be created to ensure that the bank reconciliations are prepared, reviewed, and approved by Superintendent and the preparer that creates a check and balance for internal controls. All entries and/or adjustments for bank reconciliations will be posted in a timely manner within the following month they are completed. Staff for the Business Office of whom will be trained on receipting and disbursement transactions and will assist the Chief Financial Officer in completing bank reconciliations and other duties for the district finances. Separation of duties will be in detail in the new finance polies. The Chief Financial Officer will work in collaboration with the Payroll Department to review internal controls regarding review of pay rates and salary schedules to ensure accuracy and completeness. The Chief Financial Officer will work with the Payroll and the Board of Directors to create Salary Schedules for the District. All Salary Schedules will be approved at the being of each School Year. A policy will be created on proper procedure for internal transfers. The Annual Financial Report (AFR) Gateway will be completed by the CFO. After completion, the report will be reviewed by another Finance Team Member and signed. This team member will gather all data and reports, entry the data into Gateway and ensure information entered matches reports. The AFR will be review in details by the CFO and submitted in Gateway. All documents will be stored in the Finance office.

Anticipated Completion Date: September 30, 2024

Board of School Trustees

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Vice President

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Trustee

CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding:

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

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

SEFA report will follow the process as AFR. Staff will gather all documents and entry the data into Gateway. The CFO will review all data and documents for final approval. A policy and procedure will be created and implemented to ensure that all reports that is prepared by the CFO and reviewed by a Finance Team Member; to ensure all data is accurate prior to reporting to any outside entity. A reconciliation of the accounts will also be performed by the School Corporation Business Office to ensure proper accounting of funds. Reports will be compared to School City Reports, RDS reports and Sam.gov.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - School Food Service Accounts

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements.

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

The Food Service director responsibilities is to overseeing all function of the Food Management Company. Food Service Director will be required to draft internal controls and detail instruction for the school corporation to ensure all documentation procedures match the FSMC invoice. The school corporation will not pay any unallowable cost by state regulation and rules. All state reporting documents and invoice will continue to be reviewed and signed off by the district CFO. A copy of all documents will be held in the food director office.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Summary of Finding:

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

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

All purchases will require three quotes to ensure the Vendor is compliance with purchase of \$150,000 or exceed micro-purchase threshold of \$10,000 all quotes will be attached to the APV. This will ensure all documents are available upon request. The School Corporation will work with State to receive approval of Food Service Management Company.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: Title I Grants to Local Educational Agencies – Reporting

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting requirement. The School Corporation did not have effective internal controls to ensure that reimbursement requests or final expenditure reports were properly supported with documentation.

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

Internal controls and policies will be put in place to ensure all Title cash request will have three approvals before submitting the request to the State. The Federal clerk will prepare the request, the federal director we do second approval. The CFO will do final approval after review all documentation associated with the cash request. All will sign document. All title state reporting and back up documentation will be reviewed by the CFO and signed.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the reason for a student being removed from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

School City of East Chicago will implement new internal controls to ensure of that exit conferences for each student withdrawal will be held and all documentation will be filed. All documents will be scanned to student software. All students will be properly document to the state and local entities.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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CORRECTIVE ACTION PLAN

FINDING 2023-007

Finding Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management

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

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

School City of East Chicago will implement update policies to ensure all thresholds are in accordance to state and federal guidelines.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

Board of School Trustees

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CORRECTIVE ACTION PLAN

FINDING 2023-008

Finding Subject: COVID-19 - Education Stabilization Fund - Reporting

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

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

Internal controls will be put in place to ensure all COVID – 19 ESSER Funds are reported accurately to the State and Federal Department of Education.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

Board of School Trustees

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CORRECTIVE ACTION PLAN

FINDING 2023-009

Finding Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

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

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number and Email Address: (219) 391- 4100, lesimmons@ecps.org

Views of Responsible Officials: We concur with the finding

Description of Corrective Action Plan:

Internal controls will be put in place to ensure all COVID – 19 ESSER Funds are reported accurately to the State and Federal Department of Education regarding Department of Labor rules and regulations on pay wages on construction projects completed with Federal funds.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by September 30, 2024.

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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.