

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
School Board:	
Audit Results and Comments:	
Supporting Documentation	6-7
Subsequent Board Minutes.....	8
Exit Conference	9
Treasurer:	
Audit Results and Comments:	
Internal Controls - Financial Transactions	12-14
Overdrawn Cash Balances	14-15
Annual Financial Report.....	16-17
Timely Recording - Credit Card Payments	17-18
Disaster Loan Debt Payments	18
Certification and Approval of Disbursements.....	19
Collection of Delinquent Fees	19-20
Average Daily Membership (ADM) Reporting.....	20-21
Self-Insurance Fund.....	21-22
Gateway Uploads.....	22-23
Capital Assets	23
Exit Conference	24

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to the audit report of the School City of East Chicago (School Corporation), for the period from July 1, 2021 to June 30, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statements Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2024

(This page intentionally left blank.)

SCHOOL BOARD
SCHOOL CITY OF EAST CHICAGO

SCHOOL BOARD
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

SUPPORTING DOCUMENTATION

The same comment appeared in prior Reports B48451, B50777, B54620, and B59385.

Condition and Context

The School Board adopted Policy #6423 governing the use of credit cards, which stated in part: "Procedures for payment of expenses charged to credit cards must be according to Board policy for the payment of claims, Policy #6470." Policy #6470 states in part: "Each bill or obligation of this Board must be itemized fully and verified before a warrant can be drawn for its payment."

We reviewed \$37,176 of credit card charges for fiscal years 2021-2022 and 2022-2023. Purchases of \$2,986 made by the School Board with the School Corporation's credit cards were not supported by itemized receipts, and the payments were based either solely upon credit card statements or receipts that were not itemized. Some of the undocumented charges include restaurant meals, conferences, and locksmith.

- Of the credit card claims tested, 1 had overlimit fees charged of \$39.
- Of the credit card claims tested, the School Corporation paid \$161 in taxes and \$155 in tips.
- There were 37 charges that were not explained for the business purpose of the expense.
- Credit card purchases of \$2,822 were recorded to a travel appropriation; however, the purchases were from local restaurants or businesses without a travel related explanation. The School Corporation's travel policy #6550 was determined to only address employee travel and did not cover governance travel.

Due to the lack of detailed itemized receipts, we could not determine if the expenses were related to the functions and purposes of the School Corporation. Also, without detailed receipts and a travel policy for governance, we could not determine if the travel expenses were appropriate for those credit card charges related to travel.

These undocumented expenses may become the personal obligation of the responsible officials or employee.

Criteria

Public funds may not be used to pay for personal items or expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 1)

SCHOOL BOARD
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCHOOL BOARD
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

SUBSEQUENT BOARD MINUTES

Condition and Context

The School Board Bylaw 0168.1 states in part:

"The Board shall designate a person to keep minutes of each meeting showing the date, time, place, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is called. The minutes shall also state the name of each member who was physically present at the meeting, was not present at the meeting but participated by using a form of communication described in Bylaw 0167.1, or was absent. These minutes must be approved by the Board and endorsed by the Secretary at the next meeting. The minutes shall include all votes taken at the meeting. Proposed minutes shall be available for public inspection within a reasonable period of time after the meeting to which the minutes refer. Approved minutes shall be available for public inspection not later than five (5) business days after the meeting at which the minutes are approved. . . ."

The School Corporation failed to comply with School Board Bylaw 0168.1 since School Board meeting minutes were not available after September 19, 2023. From October 2023 to February 2024, the School Board has held nine regular and five special meetings.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCHOOL BOARD
SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2024, with Lela Simmons, Treasurer; Dr. Marlon Mitchell, Superintendent of Schools; Diane Smith, School Board member; and Dr. Leslie Yanders, Director of Social Emotional Learning.

(This page intentionally left blank.)

TREASURER
SCHOOL CITY OF EAST CHICAGO

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - FINANCIAL TRANSACTIONS

The same comment also appeared in prior Reports B54620 and B59385.

Condition and Context

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

The School Corporation had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, other financing sources and uses, and financial reporting. Segregation of duties for each of these areas had 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.

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

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.

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 controls 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.

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

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)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B54620 and B59385.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2022 and 2023:

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Amount Overdrawn as of June 30,	
	2022	2023
Ec Fdtn Pltw	\$ 1,941	\$ 1,941
C.L.A.S.S. F1	4,364	4,364
Truancy Program	1,253	54,370
Adv Family Part	623	623
St Abe Grant F2	16,740	3,589
St Abe Grant F9	2,007	2,007
Foundations	782	282
Fndtn Athletic	-	17,142
Indiana Next Le	-	37
High Ability	1,016	1,016
Stem 2020-21	9,694	9,694
Eig 2020-21	15,253	15,253
Eig Lit 21-22	3,595	10,623
Title I F8	510	510
Title I Sig Chs	7,976	7,976
Title I Sig Mck	76,637	76,637
Title Sig Blk	17,571	17,571
Pre School F9	39	39
Adult Educ F1	10,853	10,853
Adult Educ F8	1,757	1,757
Adult Educ F9	4,805	4,805
Title Iv A FY19	63,303	63,672
Cte Summer F0	1,294	1,294
Cte Summer F8	8,226	8,226
Perkins Assess	684	684
Cte Covid 20-21	7,187	7,187
Carl Perkins F0	278	278
Carl Perkins F1	11,884	11,884
Carl Perkins F2	47,104	17,976
Carl Perkins F9	2,854	2,854
Title li Pta F1	-	8,058
Title li Pta F9	6,899	6,899
Title lii F9	2,800	2,800

Funds with overdrawn cash balances as a result of grant expenditures awaiting reimbursement were not included in the list above.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The capital asset and grant information entered by the School Corporation into Gateway contained the following errors:

Capital Assets

The School Corporation provided records to support the capital asset information entered into Gateway. However, the information entered into Gateway did not agree to the capital asset records provided. This resulted in the categories of buildings and machinery, equipment, and vehicles to be overstated by \$16,099,824 and \$75,896, respectively.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Grants

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway, which was the source of the Schedule of Expenditures of Federal Awards (SEFA). Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed the information entered, the School Corporation failed to maintain documentation of that internal control process. The internal control was deemed not effective and did not detect or allow correction of errors prior to submission.

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

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

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report of the School Corporation.

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(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 not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, Chapter 1)

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. . . ."

TIMELY RECORDING - CREDIT CARD PAYMENTS

Condition and Context

The School Corporation paid the credit card payments via a preauthorized online payment directly from the School Corporation's bank account rather than by a check or electronic funds transfer entered into the School Corporation's financial records.

As of June 30, 2023, the School Corporation failed to timely record the January 2023 through June 2023 credit card payments, totaling \$33,116, in the ledger. These payments were not recorded in the ledger until December 2023. The financial statement was not adjusted for the untimely postings.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

DISASTER LOAN DEBT PAYMENTS

This same comment appeared in a Management Letter addressed to the School Board for the audit period ending June 30, 2021.

Condition and Context

The School Corporation failed to make the transfers from the Debt Service fund to the Education fund for the State of Indiana's automatic withholding of the Indiana School Disaster Loan payments from the monthly basic grant for fiscal year 2022-2023.

The School Corporation did levy a tax annually in the Debt Service fund for the loan payments. The School Corporation transferred amounts for 2021-2022; however, the transfer was untimely as it was not transferred until the next fiscal year. The School Corporation should have transferred \$71,834 for 2022-2023.

In addition, the School Corporation has not transferred the \$224,150 from the Debt Service fund to the Education fund that should have been transferred in 2019-2020.

The financial statement has not been adjusted for these untimely transactions.

Criteria

Indiana Code 20-49-2-16 states:

"A school corporation receiving an advancement under this chapter may annually levy a tax in the debt service fund to replace the amount deducted in the current year from the distribution of state tuition support under this chapter. The amount received from the tax shall be transferred from the debt service fund to the education fund."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION AND APPROVAL OF DISBURSEMENTS

The same comment also appeared in prior Reports B54620 and B59385.

Condition and Context

Disbursements for the payments of transfers and temporary transfers between funds were not properly supported by an Accounts Payable Voucher (APV) as required by law. Disbursements totaling \$10,159,238 were not certified by the fiscal officer either on an APV or register of APVs.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COLLECTION OF DELINQUENT FEES

The same comment also appeared in prior Reports B54620 and B59385.

Condition and Context

The School Corporation did not fulfill its responsibility to collect amounts owed to the School Corporation for curricular material rental charges. No further action was taken to collect the unpaid fees. The School Corporation was not in compliance with School Board Policy 6152 - Student Fees and Charges, which states in part:

". . . In the event the above course of action does not result in the fee being collected, the Board authorizes the School Board Attorney to take the student and/or his/her parents to Small Claims Court for collection if the does not exceed \$1,500. If the claim exceeds \$1,500, the Board authorize the Corporation attorney or another attorney to pursue a collection action in the appropriate court against the student and/or his/her parents. . . ."

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

For fiscal year 2019-2020, the School Corporation transitioned to a new student information system software program. The \$211,897 student account balances owed as of June 30, 2019, from the old system were not transferred to the new student information system per school officials; therefore, the new student system started with incorrect student account balances.

Student balances totaled \$1,777,549 at December 31, 2023. No action was taken by the School Corporation to attempt to collect or write off the amounts owed.

Criteria

Indiana Code 20-33-5-11 states:

"(a) A school corporation may not:

- (1) withhold curricular materials and supplies;
- (2) require any special services from a child or emancipated minor; or
- (3) deny the child or emancipated minor any benefit or privilege;

because the parent or emancipated minor fails to pay a required fee, including a reasonable fee for lost or significantly damaged curricular materials imposed under [IC 20-26-12-1\(b\)](#).

(b) Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgment award against those parents.

(c) A school corporation may designate a full-time employee of the school corporation to represent the school corporation in a small claims court action under subsection (b) if the claim does not exceed one thousand five hundred dollars (\$1,500). The employee designated under this subsection is not required to be an attorney."

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM) REPORTING

Condition and Context

The School Corporation's student detailed listing agreed to the Membership Report (DOE-ME) for the September 2021 count dates. However, the student detailed listing and Membership Report (DOE-ME) student counts did not agree with the State Tuition Support Worksheet as detailed below:

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Count Date</u>	<u>Student Detail Listing</u>	<u>Membership Report (DOE-ME)</u>	<u>State Tuition Support Worksheet</u>
September 2021:			
Virtual	18	18	4
Non-Virtual	3,248	3,248	3,262

The School Corporation could not provide an explanation for the variance.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SELF-INSURANCE FUND

This same comment appeared in a Management Letter addressed to the School Board for the audit periods ending June 30, 2019 and 2021.

Condition and Context

Starting in 2019, when the biweekly payroll was posted, the gross payroll as well as an employer cost for health insurance was disbursed from various operating and/or grant funds. The employer costs and the employee withholdings for health insurance were then receipted to the Self-Insurance fund. At the end of the month, the School Corporation processed and paid the health insurance premium to the Porter County School Employee Insurance Trust from the Self-Insurance fund.

The Self-Insurance fund was used as a clearing fund. The Self-Insurance Fund is to be used for any judgment against the school when the School Corporation is self-insured. Therefore, all the receipts and disbursements in this fund should have been posted to the 9000 fund, Payroll Withholding fund.

Criteria

Indiana Code 20-40-12-3 states: "As used in this chapter, 'self-insurance program' means a program of self-insurance established or maintained by a governing body to provide coverage for health care services to a school corporation's employees and the employees' dependents."

Indiana Code 20-40-12-5 states:

"The fund may be used to provide money for the following purposes:

- (1) The payment of a judgment rendered against the school corporation, or rendered against an officer or employee of the school corporation for which the school corporation is liable under [IC 34-13-2](#), [IC 34-13-3](#), or [IC 34-13-4](#) (or [IC 34-4-16.5](#), [IC 34-4-16.6](#), or [IC 34-4-16.7](#) before their repeal).

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) The payment of a claim or settlement for which the school corporation is liable under [IC 34-13-2](#), [IC 34-13-3](#), or [IC 34-13-4](#) (or [IC 34-4-16.5](#), [IC 34-4-16.6](#), or [IC 34-4-16.7](#) before their repeal).
- (3) The payment of a premium, management fee, claim, or settlement for which the school corporation is liable under a federal or state statute, including [IC 22-3](#) and [IC 22-4](#).
- (4) The payment of a settlement or claim for which insurance coverage is permitted under [IC 20-26-5-4\(a\)\(15\)](#)."

In an accounting system maintained on a cash basis, it becomes necessary to establish certain ledger accounts to provide an accounting control of money which has been disbursed from the fund in which it was initially receipted but which is still property of the school corporation. If the money was disbursed for the purchase of an asset of another nature, such as an investment, or placed in the custody of a trust or special disbursing officer as in the case of a petty cash fund, it must be accounted for in a manner which will separate it from its original fund as cash but not to permit it to lose its identity as an asset of the school corporation.

There are also instances in which the school corporation serves as a trust officer and must maintain control of certain items of cash which are not available to the school corporation to disburse for current operating purposes but which must be transmitted to a payee for a designated purpose at a later date to fulfill a liability of such trust. Examples of these are payroll deduction accounts. To provide accounts for controlling these items without disrupting the single entry cash accounting of the system, the clearing accounts were established.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

GATEWAY UPLOADS

This same comment appeared in a Management Letter addressed to the School Board for the audit period ending June 30, 2021.

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include bank reconcilements, bank statements, outstanding check lists, approved School Board minutes, and funds ledgers.

The School Corporation failed to upload some of the files noted above on the Indiana Gateway for Government Units financial reporting system for the audit period ending June 2023. The bank reconcilements, bank statements, outstanding check lists, and funds ledger were not uploaded monthly as required. The School Corporation did not upload all the bank statements for all the bank accounts the School Corporation held during the audit period.

Additionally, the annual uploads failed to include the approved salary schedule for noncertified employees and amendments and an annual funds ledger as of June 30.

TREASURER
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CAPITAL ASSETS

Condition and Context

The School Corporation's Policy 7455 - "Accounting System for Fixed Assets" states in part: "The School Corporation will capitalize items with an individual value equal to or greater than \$1,000. . . ."

However, the School Corporation's detailed capital asset listing prepared by a third-party company stated that it only reported capital assets over \$5,000.

This resulted in the School Corporation's detailed capital asset listing to be incomplete and inaccurate based on the School Corporation's capital asset policy.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TREASURER
SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2024, with Lela Simmons, Treasurer; Dr. Marlon Mitchell, Superintendent of Schools; Diane Smith, School Board member; and Dr. Leslie Yanders, Director of Social Emotional Learning.