

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF HAMMOND

LAKE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/01/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Cash Management.....	4-5
Finding 2015-002 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability.....	5-6
Finding 2015-003 - Special Tests and Provisions - Verifications of Free and Reduced Price Applications and Paid Lunch Equity	6-7
Finding 2015-004 - Equipment and Real Property Management.....	7-8
Finding 2015-005 - Matching, Earmarking, and Reporting	8-9
Corrective Action Plan.....	10-16
Audit Results and Comments:	
Overdrawn Cash Balances	17
Curricular Materials Rental Charges and Educational Fees	17-18
Fund Sources and Uses	18
Collective Bargaining Agreement	18
Exit Conference.....	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Theophilus Boone, Jr.	07-01-13 to 06-30-16
Superintendent of Schools	Dr. Walter J. Watkins	07-01-13 to 06-30-16
President of the School Board	Deborah M. White	07-01-13 to 06-30-16



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 HAMMOND, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School City of Hammond (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 6, 2016

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS

FINDING 2015-001 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Cash Management.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to average expenditures for three months in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The School Corporation maintained School Lunch fund cash balances in excess of average expenditures for three months during the audit period. The average cash balances of the School Lunch fund for the school years 2013-2014 and 2014-2015 were \$5,784,718 and \$6,043,904, respectively. For the same school years, the average expenditures for three months were \$2,321,448 and \$2,368,095, respectively. The School Corporation indicated that they will purchase equipment with the excess cash balances; however, there is not a formal plan to spend down the excess cash balances.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(b) states in part:

"Net cash resources. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

The failure to establish internal controls enabled material noncompliance to go undetected. Failure to comply with the Cash Management provisions of the grant could result in sanctions from the pass-through agency.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management requirements of the programs.

FINDING 2015-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, PERIOD OF AVAILABILITY

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grant
CFDA Number: 84.367
Federal Award Years: FFY 11-13, FFY 12-14, FFY 13-15
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability

The School Corporation has not properly implemented policies and procedures to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability compliance requirements of the program. Evidence of procedures to ensure that the disbursements for substitute teachers related to professional development were only for allowable activities, allowable costs, and within the period of availability were not consistently documented. An adequate oversight, review, or approval process has not been established.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS
(Continued)

The failure to properly implement internal controls could enable noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management properly implement controls related to the grant agreement and the compliance requirements listed above.

FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS AND PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications and Paid Lunch Equity compliance requirements.

Verification of Free and Reduced Price Applications

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price applications. One employee was solely responsible for completing the verification process. An oversight or review process has not been established to document the monitoring of the verification process.

Paid Lunch Equity

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity. The Food Service Director was solely responsible for the calculations to determine whether the paid lunch prices required adjustment. An oversight or review process has not been established to document the monitoring of the paid lunch equity calculation.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

FINDING 2015-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

The School Corporation has not implemented adequate policies and procedures to ensure that equipment purchased with federal program funds was properly recorded in the capital asset records, or maintained in property records. An oversight, review, or approval process has not been established.

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

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

During the audit period, several pieces of equipment valued \$5,000 or more were purchased with School Lunch funds. Of the 20 items tested, 6 could not be located in the School Corporation's asset management system or property records. In addition, the School Corporation performed a physical inventory during our audit period; however, the discrepancies between the physical inventory and the asset records were not reconciled until we questioned the disposition of the items during the audit.

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS
(Continued)

7 CFR 3016.32 states in part:

"(b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale 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 shall be investigated."

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Equipment and Real Property Management requirements of the programs.

FINDING 2015-005 - MATCHING, EARMARKING, AND REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Head Start
CFDA Number: 93.600
Federal Award Years: 2013, 2014, 2015
Pass-Through Entity: Geminus Corporation

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Matching, Earmarking, and Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

In-Kind Match and Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the In-Kind Match was properly calculated and reported. There are no procedures to verify that there is documentation to support in-kind volunteer hours claimed at the various school sites for part of the required local match. An oversight or review process has not been established.

SCHOOL CITY OF HAMMOND
FEDERAL FINDINGS
(Continued)

Administrative Earmarking

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Administrative Earmarking requirements. Administrative expenses may not exceed 15 percent of the annual total program costs, including the required non-Federal in-kind match costs. An oversight or review process has not been established.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls related to the grant agreement and compliance requirements listed above.

School City of Hammond

Food Service Department

41 Williams Street • Hammond, IN 46320 • (219) 933-2400

Fax (219) 554-4502



School City of Hammond

Walter J. Watkins Ph.D., Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-001 – Cash Management

Contact Person Responsible for Corrective Action: Julie Boettger

Contact Phone Number: 219-933-2400 x 1056

Description of Corrective Action Plan:

In 2013-14 and 2014-15 the State Department of Education, Community and School Nutrition asked for and approved our plan for spending the fund balance in excess of three months operating expense as called for in the National School Lunch Program regulations as cited below (see attached emails).

210.19 (1) ...The State agency shall ensure compliance with the requirements to limit net cash resources **and shall provide for approval of net cash resources in excess of three months' average expenditures**. Each State agency shall monitor, through review or audit or by other means, the net cash resources of the nonprofit school food service in each of the school food authority participating in the Program. In the event that net cash resources exceed 3 months' average expenditures for the school food authority's nonprofit school food service or such other amount as **may be approved in accordance with this paragraph**, the State agency may require the school food authority to reduce the price children are charged for lunches, improve food quality or take other action designed to improve the nonprofit school food service.

A plan will be provided to IDOE each year when the Annual Financial Report indicates that the fund balance exceeds three months' average expenditures.

Anticipated Completion Date: September 2016

Attachments

Email Thread re: Excess Fund Balance 2013-14

From: Christina Herzog [<mailto:cherzog@doe.in.gov>]

Sent: Wednesday, December 03, 2014 1:57 PM

To: Boettger, Julie A

Subject: RE: Fund Balance for School City of Hammond

Hi Julie,

Thank you for the information. I made a note and approved your AFR so you should now be able to submit your October claim. Let me know if you need anything else.

Tina

School City of Hammond

Food Service Department

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Fax (219) 554-4502



School City of Hammond

Walter J. Watkins Ph.D., Superintendent

From: Boettger, Julie A [<mailto:JABoettger@hammond.k12.in.us>]

Sent: Wednesday, December 03, 2014 12:59 PM

To: Christina Herzog

Subject: Fund Balance for School City of Hammond

Hi Tina,

Our fund balance is high but we are using it on an on-going basis to replace equipment that is 15-20 yrs old. We will also be using a large portion to remodel our Area Career Center kitchen and dining room this spring/summer since they are adding a new grade group of students each year for the next 2 years as part of the Early College program. We are also expanding our employee training program.

Take care,

Julie

Julie Boettger, PhD, RD
Director of Food and Nutrition Services
School City of Hammond
219-933-2400 x 3056
219-671-0744 (cell)
jaboettger@hammond.k12.in.us

From: cherzog@doe.in.gov [<mailto:cherzog@doe.in.gov>]

Sent: Wednesday, September 16, 2015 8:48 AM

To: Boettger, Julie A

Cc: Franks, Tina M; bwine@doe.in.gov

Subject: NSLP AFR Needs Correction - ACTION REQUIRED

Julie Boettger
Hammond, School City of

You are receiving this message because your Annual Financial Report has a status of Needs Correction. You must log in to CNPweb under Program Year 2015 and click on the Claims/AFR tab and view the the AFR to see the message and corrective action. Once you make corrections you may contact me so I can review and approve it. Your AFR must be approved in order to submit your October and November claims. Feel free to contact me with any questions about your Annual Financial Report.

Thank you,

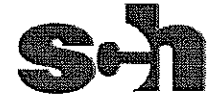
Tina Herzog
Claims and Reporting Specialist
Indiana Department of Education
School & Community Nutrition
115 W Washington St
South Tower, Suite 600
Indianapolis, IN 46204
PHONE: (317) 232-0872 or (800) 537-1142
FAX: (317) 232-0855
cherzog@doe.in.gov

School City of Hammond

Food Service Department

41 Williams Street • Hammond, IN 46320 • (219) 933-2400

Fax (219) 554-4502



School City of Hammond

Walter J. Watkins Ph.D., Superintendent

Email thread re: Fund Balance 2014-15

From: Danyetta Powers [<mailto:dpowers@doe.in.gov>]

Sent: Tuesday, September 29, 2015 6:59 AM

To: Boettger, Julie A

Subject: RE: School City of Hammond Fund Balance

Julie,

I have approved your AFR.

Have a good day.

From: Boettger, Julie A [<mailto:JABoettger@hammond.k12.in.us>]

Sent: Monday, September 28, 2015 6:31 PM

To: Danyetta Powers

Subject: School City of Hammond Fund Balance

Hi Dani,

I am writing to give you an explanation of how we plan to spend down our fund balance. We spent over \$500,000 in renovations to dining rooms, serving areas, and kitchens (especially refrigeration and ovens) this summer however most of the invoices came in after July 1 and therefore will be reflected in the 2015-16 school year.

We plan additional renovations to upgrade kitchens refrigeration and cooking equipment in 2015-16. Many of our kitchens are now between 15-20 years old and equipment is reaching end of life so we are pro-actively replacing and standardizing equipment. Walk-ins are being evaluated to determine if the mechanicals need to be replaced and we have been adding energy-saving equipment that controls defrost cycles. Dish machines are also being evaluated and replaced as needed. We are also piloting testing alternative serving equipment (merchandisers) and packaging equipment with an eye to the future when labor is likely to be in short supply and expensive. If successful, we will be changing serving equipment to this style of service and possibly some centralized production.

Although we are trying to keep both labor and food costs within 80-85% of our total costs, our labor costs in the past were too low (33%) and so in January we raised our starting hourly rate \$1.00 per hour per hour in order to attract and keep qualified staff. We are also investing in training them to keep them efficient.

We are also focusing on our center of the plate items and trying to slowly add more whole muscle meat products and not solely rely on processed commodities. We shifted a good portion of our commodity dollars this year to DOD fresh to allow us to look at options.

We do not pay indirect costs but we do try to directly pay for services to other departments that we incur such as labor for maintenance and repairs of equipment, paint and painters when kitchens are painted, transportation of summer meals, etc. So any allowable expense that is related to the kitchen or dining room I try to pay from 0800. This includes upgrading to energy saving equipment since utility costs are one of the districts largest expenses. My business manager and I have determined that my expenses are incurred more by the CPF fund than the General Fund and if charged indirect costs the money would be going to a fund that is not incurring the actual expense. My department does our own payroll, accounts payable, and a good deal of the HR so we are a minimal expense to those departments.

Ironically some of the investments have also led to savings or increased revenue e.g., purchasing shoes for my employees has reduced the workman's comp from \$350,000 to nearly zero from a reduction in falls. Dining room improvements have increased participation. ☺ But of course those are good things!

I hope this helps explain our plans. I think it is important not to spend recklessly but to make investments that will last into the future.

School City of Hammond

Food Service Department

41 Williams Street • Hammond, IN 46320 • (219) 933-2400

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School City of Hammond

Walter J. Watkins Ph.D., Superintendent

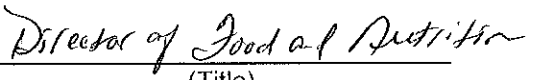
Take care,

Julie

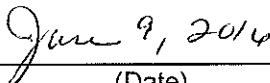
Julie Boettger, PhD, RD
Director of Food and Nutrition Services
School City of Hammond
219-933-2400 x 3056
219-671-0744 (cell)
jaboettger@hammond.k12.in.us



(Signature)



(Title)



(Date)

School City of Hammond

41 Williams Street • Hammond, IN 46320
(219) 933-2400 • (219) 933-2495 FAX



Dr. Walter J. Watkins, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-002 – Activities Allowed, Allowable Costs, Period of Availability

Contact Person Responsible for Corrective Action:
Theresa A. Mayerik, Chief Administrator of Academic Services

Contact Phone Number: 219-933-2400 ext. 1041

Description of Corrective Action Plan: In the future the secretary in the Title II office will always include the administrator overseeing Title II (currently Mrs. Mayerik) on all emails related to Title II. In addition, Mrs. Mayerik and Mrs. Kaminsky, the secretary in Title II have developed a separate binder to keep all in house professional development documentation separate from out of district professional development so that it is easier for the auditors to track in the future. Finally a new approval sheet for substitutes for in house professional development has been developed and will serve as the cover sheet for each in house professional development in the binder as further documentation of internal control.

Anticipated Completion Date: April 1, 2016

Theresa A Mayerik

(Signature)

Assistant Superintendent

(Title)

4-6-16

(Date)

Board of School Trustees

George T. Janiec
Marilyn Jones
Anna Mamala
Cindy Murphy
Deborah White

School City of Hammond

Food Service Department

41 Williams Street • Hammond, IN 46320 • (219) 933-2400

Fax (219) 554-4502



School City of Hammond

Walter J. Watkins Ph.D., Superintendent

FINDING 2015-003 – Special Tests and Provisions

Contact Person Responsible for Corrective Action: Julie Boettger

Contact Phone Number: 219-933-2400 x 1056

Description of Corrective Action Plan:

A second employee will be trained on the verification process. Because an automated system is used to calculate the status when income and household size is submitted, 10% of the verified applications will be reviewed by a second person before the parent/guardian is notified of the verification results.

The bookkeeper will be trained to complete and submit the Paid Lunch Equity Form or Waiver form each year. The Director of Food and Nutrition will sign off on a copy of the form or waiver prior to submission.

Anticipated Completion Date: November 2016

FINDING 2015-004 – Equipment Management

Contact Person Responsible for Corrective Action: Julie Boettger

Contact Phone Number: 219-933-2400 x 1056


Description of Corrective Action Plan:

The Food and Nutrition Department will work with the Building and Grounds Department (that receives equipment at the warehouse, enters items into the asset software, and conducts the physical inventory) to implement process improvements. The Food and Nutrition Department will also work with the Technology Department to ensure that items purchased with NSLP funds are entered into the technology inventory system with required information and annual reports are provided to the Department so that the information can be verified and any discrepancies reconciled.

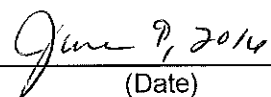
Anticipated Completion Date: June 2016



(Signature)



(Title)



(Date)

School City of Hammond

41 Williams Street • Hammond, IN 46320
(219) 933-2400 • (219) 933-2495 FAX



Dr. Walter J. Watkins, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-005 – Matching, Earmarking and Reporting

Contact Person Responsible for Corrective Action: Barbara Gustin
Contact Phone Number: 219-989-7345, ext. 3570

Description of Corrective Action Plan:

In-Kind Match and Reporting

Procedures will be developed to provide a check and balance system to ensure accurate calculation and reporting of the in-kind match. The number of in-kind hours listed on each volunteer log will be calculated by the teaching staff person designated as responsible for in-kind. The calculations from each of the logs will be tabulated via spreadsheet. The spreadsheet will be printed, signed by the staff person and attached to the volunteer logs. The teaching staff will submit the completed logs and tabulation sheet to the Family Support staff person assigned to their classroom. The Family Support staff person will tabulate the hours via spreadsheet, sign the sheet and attach it to the volunteer logs which will then be filed by month. In the event that the two calculations do not match, the Family Support staff person will compare the two spreadsheets against the actual volunteer logs to determine and correct the discrepancy. The Family Services Coordinator will be informed regarding any discrepancy and will forward the information to the Program Director.

Administrative Earmarking

Administrative-related expenses will be tracked via payroll and ledger reports, P.O.s, tracking sheets (e.g. supply/equipment sign-out sheets) and codes (e.g. copy costs via use of designated code on copier).

A spreadsheet will be developed to track administrative expenses. The spreadsheet will include the calculation of monthly and year-to-date administrative expenses. The year-to-date total will be subtracted from the 15% allowable administrative expense on a monthly basis which will allow for compliance to be monitored in a timely manner.

Anticipated Completion Date:
In-Kind Match and Reporting
Completion Date: April 30, 2016

Administrative Earmarking
Completion Date: April 1, 2016

Barbara N. Gustin
(Signature)

Head Start Program Director

(Title)

3/29/2016

(Date)

Board of School Trustees

George T. Janlec
Marilyn Jones
Anna Mamala

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Textbook Rental fund with overdrawn cash balances at June 30, 2014 and 2015, of \$3,893,436 and \$4,376,225, respectively.

The Textbook Rental fund has been overdrawn for seven or more years.

A similar comment appeared in prior reports.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES

Curricular materials rental charges and other educational fees for all grades were not adopted by the School Board on an annual basis. They were adopted for the 2009-2010 school year but only for grades K-8. These charges and fees were still in effect for the 2013-2014 and 2014-2015 school years. It could not be readily determined when the curricular material rental charges and educational fees for the High School had been adopted by the School Board.

Due in part to a change in personnel and the passage of time since the School Board approved the rates, records with sufficient supporting documentation for the rental charges at any grade level were not provided for audit. The retail price of curricular materials for grades K-8 was not provided which should have been the basis for the determination for the School Board approved rates. With the various textbook adoptions occurring since 2009-2010, the fees charged by the School Corporation may not have corresponded directly to the textbooks in use at the schools. We were unable to verify that the calculation of curricular materials rental complied with Indiana Code 20-26-12-2.

Educational fees established by the School Board are to be reviewed by an attorney and his or her opinion should be retained on whether or not the educational fees would violate the Indiana Constitution and the right for a student to be provided schooling without having to pay tuition. The written opinion of an attorney was not presented for audit.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

FUND SOURCES AND USES

The School Corporation disbursed amounts from the School Transportation fund for salaries and related benefits of security services and for the repair of vehicles which were not buses from accounts which are not authorized for these types of expenditures.

The School Corporation disbursed amounts from the Bus Replacement fund during the 2014-2015 school year for mechanics salaries and related benefits from accounts which are not authorized for these types of expenditures. These disbursements had originally been recorded in the Transportation fund but were moved to the Bus Replacement fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

COLLECTIVE BARGAINING AGREEMENT

The School Corporation did not post the collective bargaining agreement on the School Corporation's website. The School Board approved the collective bargaining agreement with the Hammond Teachers' Federation, Local 394, American Federation of Teachers, on October 8, 2014.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2016, with Theophilus Boone, Jr., Treasurer; Dr. Walter J. Watkins, Superintendent of Schools; Deborah M. White, President of the School Board; and Alesia Y. Pritchett, Director of Business Services.