

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF HOBART

LAKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
08/16/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2016-001 - Internal Controls over Financial Transactions and Reporting.....	4-5
Finding 2016-002 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).....	5-7
Finding 2016-003 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability/Performance, Reporting.....	7-9
Finding 2016-004 - Special Tests and Provisions - Annual Report Card, High School Graduation Rate	9-11
Corrective Action Plan.....	12-17
Audit Results and Comments:	
Overdrawn Cash Balances.....	18
Annual Report.....	18
Official Bonds.....	18
Official Response	19
Exit Conference.....	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-14 to 06-30-17
Business Manager	Ted Zembala	07-01-14 to 06-30-17
Superintendent of Schools	Dr. Peggy Buffington	07-01-14 to 06-30-17
President of the School Board	Terry Butler Karen Robbins Terry Butler	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



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TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School City of Hobart (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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

June 22, 2017

SCHOOL CITY OF HOBART
FEDERAL FINDINGS

FINDING 2016-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

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

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, payroll disbursements, and the Schedule of Expenditures of Federal Awards (SEFA).

Receipts: Documentation of a review process to verify that receipts were properly recorded in the correct fund and account and for correct amount, was not evidenced.

Payroll Disbursements: The Payroll Clerk inputted, prepared, recorded, and remitted payroll disbursements without evidence of a proper system of oversight or review.

SEFA: One employee prepared and submitted the SEFA without evidence of a proper system of oversight or review in place to prevent, or detect and correct, errors on the SEFA.

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Criteria

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators.

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls related to receipts, payroll disbursements, and the SEFA.

Effect

The failure to implement controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2016-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, ELIGIBILITY, PROGRAM INCOME, REPORTING, SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

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 Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

This is a partial repeat of Finding 2014-002 from the immediate prior year.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation did not have proper controls over the payroll and related employer costs posted to the School Lunch fund. The Food Service Director approved hours worked by food service employees; however, evidence of an adequate oversight or review process of the actual disbursement of payroll and related employer costs charged to the School Lunch fund was not documented.

Eligibility and Special Tests and Provisions - Verifications of Free and Reduced Price Applications (NSLP)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches was properly determined or that the applications for free and reduced price lunches were verified in compliance with program requirements. One employee was solely responsible for the eligibility determinations and verifications.

A computer software program was used to determine eligibility; however, one employee manually entered family information into the computer software program without a proper system of oversight or review to ensure correct information was entered. In addition, the School Corporation did not have procedures in place to ensure that eligibility guidelines in the software program were accurate.

Program Income

The Food Service department prepared a monthly spreadsheet reflecting the monthly program income activity from the point of sale software system. Only the monthly spreadsheet was provided to the School Corporation's Treasurer for the monthly posting of program income to the School Lunch fund. Evidence of an adequate oversight or review process of the spreadsheet to the point of sale software reports or the subsequent posting of the receipt information to the School Lunch fund was not evidenced.

Reporting

One person completed and submitted the monthly Sponsor Claim (claim for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Collection Report without a proper system of oversight or review.

Context

The lack of controls was a systemic problem. There was no evidence of controls over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements throughout the audit period.

Criteria

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 HOBART
FEDERAL FINDINGS
(Continued)

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

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

FINDING 2016-003 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, PERIOD OF AVAILABILITY/PERFORMANCE, REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-4700, 14-4700, 15-4700

Pass-Through Entity: Indiana Department of Education

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the compliance requirements for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

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

The School Corporation had a system of review in place for the disbursements posted to the Title I grant funds; however, the review was not properly documented and there was no evidence that the reviews were conducted timely.

Cash Management and Reporting

School Corporation officials indicated that one employee prepared and submitted the Reimbursement Form as well as the Final Expenditure Reports without a proper system of oversight or review.

Context

The lack of controls was a systemic problem. There was no evidence of controls over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability of Federal Funds or a proper system of oversight or review over Cash Management and Reporting throughout the audit period.

Criteria

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. . . ."

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

The School Corporation failed to design and implement or establish a proper internal control structure to ensure compliance with requirements associated with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting compliance requirements.

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability/Performance, and Reporting compliance requirements.

Views of Responsible Officials

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

***FINDING 2016-004 - SPECIAL TEST AND PROVISIONS - ANNUAL
REPORT CARD, HIGH SCHOOL GRADUATION RATE***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-4700, 14-4700, 15-4700

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation incorrectly reported all students not attending school as mobile or transfer students.

Context

There were three instances where the paperwork clearly stated that the student was dropping out; however, the School Corporation did not report the removal by using a drop out code. Ten of the files for students removed from the cohort had no paperwork or indication that the student had left the School Corporation. Thirty of the eighty-six total students were listed on the 2015 and 2016 Graduation Cohort Status Report as mobile. Thirteen of the thirty students tested did not have the required supporting documentation to substantiate moving them from the cohort for mobility reasons.

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

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). . . ."

34 CFR 200.19(b) states in part:

"*High schools*—(1) *Graduation rate*. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class.

. . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate*.

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

SCHOOL CITY OF HOBART
FEDERAL FINDINGS
(Continued)

- (A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number of years; or . . .
- (ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—
 - (A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;
 - (B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and
 - (C) A dropout may not be counted as a transfer. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

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 HOBART

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Superintendent

Ted Zembala
Business Manager

Jonathan Mock
Director of Human Resources
& Compliance

Deborah Matthys
Director of Curriculum &
Instruction

Sara Gutierrez
Director of Early Learning &
Education

Russell Mellon
Director of Information
Technology Services

Christopher King
Director of Technology

Felix Perry
Director of Support Services

Lisa Wilkison
Director of Transportation

Nancy Smith
Food Service Director

Larry Juzwicky
Director of School Safety

Regina Guarnero
Coordinator of Student Health
Services

Peter Goerges
School Legal Counsel

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CORRECTIVE ACTION PLAN

FINDING 2016-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Ted J. Zembala
Contact Phone Number: (219) 945-0250

Description of Corrective Action Plan:

1. **Lack of Segregation of Duties:** The school corporation agrees the separation of duties is an important function of internal controls. In spite of a reduction in staff due to the last recession, the school corporation's goal is to prevent any one staff member to have total control of any business function. To assist in this process, strong review processes are in place to identify errors and/or questionable transactions. The school corporation acknowledges that there needs to be additional separation in the payroll process. This issue is addressed under Payroll Disbursements.

Receipts: The school corporation treasurer keeps documentation to support that receipts are properly recorded in the correct fund, account, and for the correct amount. An example of a receipt for Title I is attached.

The school corporation business manager will develop a review process to verify the documentation provided by the corporation treasurer. This review process will be inclusive of all corporation fund accounts. Evidentiary documentation of the review process will be included.

Anticipated Completion Date: 12/2017

Payroll Disbursements: Subsequent to the audit period, the school corporation began using software that eliminates the need for the payroll clerk to input payroll. Attendance and hours worked are entered at the building level then uploaded into the corporation payroll software. The payroll clerk then checks for errors and makes corrections. All corrections are reviewed and approved by the Director of Human Resources and Compliance. The business manager has created a review process that can identify duplicate payments, questionable entries and distribution amounts.

To complement the review process, the business manager will be in contact with the school corporation's financial/payroll software vendor to assist in creating payroll edits that will identify inconsistencies

Anticipated Completion Date: Dependent on software vendor.


SEFA: The school corporation treasurer prepares the SEFA report. The school corporation business manager will review the SEFA report for accuracy.

Evidentiary documentation that the review process occurred will be included.

Anticipated Completion Date: Immediate



2. **Monitoring of Controls:** The process the school corporation utilizes to monitor controls is to communicate with appropriate staff through phone conversations, emails, and face-to-face meetings regarding financial/payroll processes. Conversations include but are not limited to: Federal and state grants, tax levied funds, state and federal funding, impact of current and proposed legislation, payroll transactions, receipt transactions, purchasing disbursements, bond payments, staffing, pupil enrollment, development of processes that increase accuracy and efficiency, discussing and developing ways to prevent recurring errors, maintaining and creating a variety of analytics to monitor and continue financial integrity and to forecast future initiatives.



(Signature)

Business Manager

(Title)

06/22/2017

(Date)



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"Building College and Career Ready Brickies"

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Board Attorney

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413

Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Our software company, Veritime is working to create a payroll disbursement report that shows the hours, pay rate, gross pay and fund that the Director of Food Service will review, approve and sign prior to actual disbursement of payroll.

Anticipated completion date: SY 2017-2018

Eligibility and Special Test and Provisions-Verifications – The eligibility guidelines are reviewed by the food service director and the food service secretary then copies printed and signed after it is determine that the information is correctly entered in the software system.

Anticipated completion date: Immediate

Program Income – Documentation of the information that is entered into the food service monthly spreadsheet that is submitted monthly to the School Corporation's Treasurer will be included as evidence for proper posting and receipting to the School Lunch fund.

Anticipated completion date: Immediate

Reporting- The monthly claims for reimbursement, annual financial reports and the Verification summary are prepared by the food service secretary, reviewed by the food service director and then entered into the DOE website the food service director and reviewed by the food service secretary. These steps are verified by dual signatures on the claim reports.

Anticipated completion date: Immediate

Context- The food service department is now providing evidence of internal controls by requiring dual signatures/initials on all necessary documents. Copies of source documents are included with all reports when information is gathered and entered into a spreadsheet or form.

Anticipated completion date: Immediate

Nancy Smith, Director of Food Services

June 22, 2017





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32 East 7TH Street, Hobart, IN 46342
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Board Attorney

FINDING 2016-003 – ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, PERIOD OF AVAILABILITY/PERFORMANCE, AND REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number: 12-4700, 14-4700, 15-4700

Contact Person Responsible for Corrective Action: Sara Gutierrez, Title I Director - Ted J. Zembala, Business Manager
Contact Phone Number: (219) 945-0250

Description of Corrective Action Plan:

Payroll and employer paid benefits are the only expenditures included in the Title I grant. The Superintendent and Title I Director discuss, plan and determine Title I staffing. The discussion results are communicated to the business office. The Title I Director and Business Manager work together to complete the Title I application. The payroll distribution ledger is forwarded to the Title I director no less than on a monthly basis to ensure staff paid from Title I is accurate. The business manager reviews Title I payroll no less than on a monthly basis to ensure the amount paid to staff is accurate and appropriate. The payroll distribution records are then reconciled with the financial records. Inaccuracies or questionable distributions are discussed with the Title I Director and the business office. The Title I Director approves corrections.

Due to continued Federal reductions in Title I funding, it is unlikely that future Title I budgets will include non-payroll allocations. However, the school corporation concurs that, a documented internal control system that includes activities relative to Allowable/Unallowable costs, Cash Management, and Reporting should be created and retained.

The Director of Title I, the Business Manager, and other appropriate staff will meet prior to the end of 2017 to discuss and compile a documented internal control system.

Anticipated Completion Date: 12/2017



(Signature)

Business Manager
(Title)

06/22/2017
(Date)



HOBART HIGH SCHOOL

2211 East 10th Street, Hobart, IN 46342
Phone: (219) 942-8521 Fax: (219) 942-3326



Angela Patrick, Principal

College & Career Ready

FINDING 2016-004

Contact Person Responsible for Corrective Action: Angela Patrick, Principal
Contact Phone Number: (219) 942-8521

Description of Corrective Action Plan:

The principal or her designee will review all files/documentation for any student removed from the graduation cohort report for mobility reasons. A checklist to assist in the review process follows.

The following procedures have been put in place for ensuring all cohort changes / mobility coding / student withdraws are done correctly. Secretary will use this as a check off form to ensure completion of all steps.

1. Parent comes in to withdraw (Will attend another school / homeschool)

- Parent completes Student Withdrawal Form BP 5130 F4.
- Parent signs and secretary completes the HHS Withdraw Checkout List Form
- Secretary ensures books / technology has been returned. (Books placed in teacher's box)
- Secretary scans and uploads BP 5130 F4 to Skyward
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn.
- Secretary completes student withdraw verification and staples to inside of students cumulative file.
- Secretary gives file to principal to review.
- File is returned to proper location in the cumulative file room.

2. Request of Records is sent from new school.

- Secretary scans and uploads the official records request document to Skyward.
- Secretary ensures books / technology has been returned. (Books placed in teacher's box)
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn.
- Secretary completes student withdraw verification and staples to inside of students



HOBART HIGH SCHOOL

2211 East 10th Street, Hobart, IN 46342
Phone: (219) 942-8521 Fax: (219) 942-3326

Angela Patrick, Principal

College & Career Ready

cumulative file.

- Secretary gives file to principal to review.
- File is returned to proper location in the cumulative file room.



3. **Student and Parent request an Exit Interview for student to earn GED.**

- Parent completes Student Withdrawal Form BP 5130 F4.
- Parent signs and secretary completes the HHS Withdraw Checkout List Form
- Secretary ensures books/technology has been returned. (Books placed in teacher's box)
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary scans and uploads BP 5130 F4 to Skyward
- Exit Interview with Principal is set up.
- Principal Reviews DOE Hardship PPT.
- Official Exit Interview form is signed by Principal and Superintendent
- Copy of Exit Interview paperwork is uploaded to Skyward
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn
- Secretary completes student withdraw verification and staples to inside of students cumulative file.
- Secretary gives file to principal to review.
- File is returned to proper location in the cumulative file room.

SCHOOL CITY OF HOBART
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 Exempt Pension Debt fund with an overdrawn cash balance of \$13,203 at June 30, 2015, and the School Bus Replacement fund with an overdrawn cash balance of \$12,294 at June 30, 2016.

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)

ANNUAL REPORT

The 2016 electronic Annual Financial Report did not fairly state the capital assets for the School Corporation. The report, prepared by an outside vendor, did not include the land values for property owned by the School Corporation. This resulted in an understatement of the capital asset schedule.

A similar comment appeared in the prior Report B45193.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 . . ."

OFFICIAL BONDS

The Extra-Curricular Treasurer's Surety Bond was insufficient per the Indiana Code. The Extra-Curricular Treasurer's bonds covered three years and were renewed every three years. A new bond was not acquired at the beginning of each school year as required.

A new bond shall be given at the beginning of each school year. Premium on the official bond is payable from the General Fund of the school corporation. The requirement for giving bond and requirement to deposit receipts in a separate bank account do not apply where the receipts, as estimated by the principal, will not exceed \$300.00 during the school year. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)



SCHOOL CITY OF HOBART

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<http://www.hobart.k12.in.us>

"Building College and Career Ready Brickies"

ADMINISTRATION

Dr. Peggy Buffington, Ph.D.
Superintendent

Ted Zembala
Business Manager

Jonathan Mock
Director of Human Resources
& Compliance

Deborah Matthys
Director of Curriculum &
Instruction

Sara Gutierrez
Director of Early Learning &
Education

Russell Mellon
Director of Information
Technology Services

Christopher King
Director of Technology

Felix Perry
Director of Support Services

Lisa Wilkison
Director of Transportation

Nancy Smith
Food Service Director

Larry Juzwicki
Director of School Safety

Regina Guarnero
Coordinator of Student Health
Services

Peter Goerges
School Legal Counsel

BOARD OF SCHOOL TRUSTEES

Terry D. Butler
President

Rikki A. Guthrie
Vice President

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Dave Bigler
Member

Karen J. Robbins
Member

Donald H. Rogers
Member

Stuart B. Schultz
Member

William Longer
Board Attorney

OFFICIAL RESPONSE

For Audit Period July 1 2014 to June 30, 2016

Date of Exit Conference: June 22, 2017

OVERDRAWN CASH BALANCES

RESPONSE:

The financial statement contains some funds with deficits in cash. Most are a result of reimbursable grants. Some reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 or 2016 causing negative cash balances.

The Exempt Debt Fund and the School Bus Replacement Funds showed negative receipts due to the fact both of these funds are funded on a calendar year with property taxes and the final tax installments were not received until late December. The obligations for these funds happen before all the revenue is received. At December 31, 2015 and December 31, 2016 these funds were not in the negative.

ANNUAL REPORT

RESPONSE:

Every two years, the school corporation contracts with an outside professional appraisal company to record and provide the valuation of all fixed assets. The report generated by this appraisal is used to make sure that insurance protection for fixed assets is sufficient and that insurance premiums paid are appropriate.

The school corporation will instruct the appraisal vendor to include land values in their next fixed asset report.

OFFICIAL BONDS

RESPONSE:

As of the current cycle, the extracurricular treasurer bonds are renewed annually. Due to changes in Indiana Code, the bonds are set at \$50,000 for each.

Ted J. Zembala, Business Manager
School City of Hobart



The School City of Hobart does not discriminate on the bases of race creed, sex, color, national origin, religion, age, sexual orientation, marital status, genetic information, or disability, including limited English proficiency.

SCHOOL CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2017, with Dawn Powers, Treasurer; Ted Zembala, Business Manager; Dr. Peggy Buffington, Superintendent of Schools; and Karen Robbins, School Board member.