

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

GARY COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
11/13/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael Washington Mary Comer	07-01-14 to 04-15-15 04-16-15 to 06-30-18
Superintendent of Schools	Dr. Cheryl L. Pruitt	07-01-14 to 06-30-18
Emergency Manager	Dr. Peggy Hinckley	08-01-17 to 06-30-18
President of the School Board	Rosie G. Washington Antuwan Clemmons Rosie G. Washington	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Gary Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

The School Corporation did not provide accurate and complete reconcilements of the depository balances to the record cash and investment balances for the audit period. The School Corporation did not provide accurate outstanding check lists to support the adjustments on the reconcilements. We were unable to obtain sufficient competent evidential matter over the cash and investment balances. The School Corporation's records did not permit the application of other audit procedures to ascertain if the cash and investment balances within the financial statement were fairly stated.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, on the basis of accounting described in Note 1.

***Going Concern***

The accompanying financial statement has been prepared assuming that the School Corporation will continue as a going concern. As discussed in Note 7 to the financial statement, the School Corporation has been experiencing significant negative cash balances. As discussed in Note 11 to the financial statement, management has provided its response to the going concern, which relies upon action at the state level. The deficit cash balances of the School Corporation, as well as the School Corporation's procedures performed to operate without addressing the root causes of the deficits raises substantial doubt about the School Corporation's ability to continue as a going concern. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2017, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.



Tammy R. White, CPA  
Deputy State Examiner

September 28, 2017



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

TO: THE OFFICIALS OF THE GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Gary Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated September 28, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified due to because of the inability to obtain sufficient competent evidential matter for cash and investment balances.

**Internal Control over Financial Reporting**

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003 to be material weaknesses.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003.

**Gary Community School Corporation's Response to Findings**

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

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



Tammy R. White, CPA  
Deputy State Examiner

September 28, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

GARY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments		Disbursements	Other Financing		Cash and Investments		Other Financing		Cash and Investments
	07-01-14	Receipts		Sources (Uses)	06-30-15	Receipts	Disbursements	Sources (Uses)	06-30-16	
General	\$ (3,060,755)	\$ 60,738,507	\$ 58,142,847	\$ 443,196	\$ (21,899)	\$ 45,143,124	\$ 48,589,343	\$ 601,237	\$ (2,866,881)	
Debt Service	(1,064,538)	4,879,738	5,483,443	94,830	(1,573,413)	3,682,188	5,023,747	-	(2,914,972)	
Exempt Debt	(744,666)	4,640,602	2,984,350	-	911,586	3,283,094	2,797,590	-	1,397,090	
Capital Projects	719,732	4,710,706	3,322,922	-	2,107,516	3,986,756	4,727,811	-	1,366,461	
School Transportation	(8,551,606)	5,424,365	6,245,708	1,515,173	(7,857,776)	5,090,186	5,166,837	-	(7,934,427)	
Construction	202,556	-	-	-	202,556	-	-	-	202,556	
School Lunch	2,172,870	4,262,336	5,153,469	(9,274)	1,272,463	4,181,084	3,433,311	(597,916)	1,422,320	
Textbook Rental	5,867,338	443,797	127,598	-	6,183,537	382,003	54,642	-	6,510,898	
Self-Insurance	6,126,284	570,151	967,823	-	5,728,612	517,306	717,986	-	5,527,932	
DUAB \$15M	-	-	-	-	-	20,145,750	18,587,550	-	1,558,200	
Levy Excess	-	-	-	-	-	1,644	-	-	1,644	
Alternative Education	10,224	-	-	-	10,224	5,088	-	-	15,312	
Early Intervention Grant	78,443	-	-	-	78,443	-	-	-	78,443	
Extra-Curricular Activities	(5,283)	-	-	-	(5,283)	-	-	-	(5,283)	
Construction, Remodeling, and Equipping Buildings	12,217	-	-	-	12,217	-	-	-	12,217	
Special Ed. United Way	53,604	-	-	-	53,604	-	-	-	53,604	
Formative Asses.	-	-	-	-	-	61,441	-	-	61,441	
Instruction Support	47,451	56,877	84,728	-	19,600	53,640	58,027	-	15,213	
Medicaid Reimbursement	61,719	64,866	75,543	-	51,042	28,805	-	-	79,847	
Non-English Speaking Programs	7,471	-	261	-	7,210	-	-	-	7,210	
Technology Grants [IC 20-40-15]	52,623	3,496	-	-	56,119	2,244	-	-	58,363	
WGVE Broadcast	32,936	114,696	83,064	-	64,568	94,569	63,162	-	95,975	
Title I - School Improvement	(36,852)	472,085	462,901	-	(27,668)	274,985	271,552	-	(24,235)	
School Impv 1003g	(846,517)	2,894,918	2,015,830	-	32,571	885,971	855,275	-	63,267	
Title I	(106,023)	6,496,754	6,491,551	-	(100,820)	7,146,265	7,123,331	-	(77,886)	
Impact Aid	24,362	1,728	4,382	-	21,708	3,577	8,630	-	16,655	
Imp. Sp. Education	(8,860)	-	-	-	(8,860)	-	-	-	(8,860)	
Sp. Ed. Improv	(3,855,551)	1,842,026	2,896,028	-	(4,909,553)	2,393,151	2,564,021	-	(5,080,423)	
Sp. Ed. Preschool	(168,540)	131,499	92,019	-	(129,060)	196,663	204,831	-	(137,228)	
Adult Basic Education	(44,549)	153,676	161,156	-	(52,029)	167,203	164,315	-	(49,141)	
Adult Ed. Vouchers	(4,597)	-	-	-	(4,597)	-	-	-	(4,597)	

The notes to the financial statement are an integral part of this statement.

GARY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016  
(Continued)

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Adult Ed. Remediation	(4,710)	-	-	-	(4,710)	-	-	-	(4,710)
Safe & Drug Free	1,290	-	-	-	1,290	-	-	-	1,290
Title II - Eisenhower - Science and Math Technology Grants	2,250	-	-	-	2,250	-	-	-	2,250
UTEP	7,333	-	-	-	7,333	-	-	-	7,333
Carl D. Perkins	(11,564)	366,547	304,522	-	50,461	398,360	453,047	-	(4,226)
Medicaid Reimbursement - Federal	498,136	178,899	-	-	677,035	79,442	-	-	756,477
Improving Teacher Quality, No Child Left, Title II, Part A	11,657	1,069,152	1,058,676	-	22,133	835,787	855,456	-	2,464
Title III - English Proficiency Migrant	(95)	-	476	-	(571)	-	-	-	(571)
Deep River	926	-	-	-	926	-	-	-	926
Technology	(170,449)	59,271	152,530	-	(263,708)	81,447	84,766	-	(267,027)
Vision Athena	8,635	-	-	-	8,635	-	-	-	8,635
Common School	11,734	-	-	-	11,734	-	-	-	11,734
Fiscal Stabilization - Education	933	-	-	-	933	-	-	-	933
ARRA Title I - Grants to LEAs	(2,212)	-	-	-	(2,212)	-	-	-	(2,212)
ARRA Special Education - Part B	39,233	-	-	-	39,233	-	-	-	39,233
McKinney - Vento Education for Homeless	-	739	-	-	739	-	-	-	739
Employee FICA	1,572,092	3,732,143	3,881,370	-	1,422,865	3,234,862	3,236,016	-	1,421,711
Employee Pensions	29,188	162,704	177,241	-	14,651	117,449	118,953	-	13,147
Employee Insurance	193,685	1,696,324	1,916,233	-	(26,224)	1,809,913	1,224,903	-	558,786
FIT	2,526,195	6,026,466	6,300,921	-	2,251,740	5,200,222	5,282,528	-	2,169,434
State Tax	-	2,183,664	2,182,746	-	918	1,879,104	1,879,855	-	167
Annuities	(3,303)	2,323,403	2,322,533	-	(2,433)	1,771,174	1,765,885	-	2,856
Garnishments	(479)	617,922	618,468	-	(1,025)	553,577	553,577	-	(1,025)
Union Dues	18,196	626,466	509,854	-	134,808	526,844	492,836	-	168,816
Withholdings (Misc. Deductions)	71	12,552	12,552	-	71	-	-	-	71
Credit Union	(585)	1,849,148	1,849,233	-	(670)	1,412,083	1,411,873	-	(460)
Provident Life Insurance	348	158,348	158,321	-	375	124,882	124,900	-	357
Short-Term Disability	150	218,658	218,601	-	207	182,137	182,065	-	279
Retirees Life Insurance	(26,399)	301,025	321,111	-	(46,485)	243,890	225,628	-	(28,223)
<b>Totals</b>	<b>\$ 1,673,749</b>	<b>\$ 119,486,254</b>	<b>\$ 116,781,011</b>	<b>\$ 2,043,925</b>	<b>\$ 6,422,917</b>	<b>\$ 116,177,910</b>	<b>\$ 118,304,249</b>	<b>\$ 3,321</b>	<b>\$ 4,299,899</b>

The notes to the financial statement are an integral part of this statement.

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Proceeds of long-term debt.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**B. Teachers' Retirement Fund**

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of some funds disbursing in excess of receipts, decreases in state funding due to decreases in student enrollment, and low tax collection rates. In order funds, it is attributed to the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2015 or 2016.

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with Gary Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$3,938,222 and \$4,407,638, respectively.

**Note 9. Subsequent Events**

In March 2017, the State of Indiana Distressed Unit Appeal Board (DUAB) granted an emergency loan in the amount of \$3,750,000 for payroll and critical vendor payments. Additional emergency loans were granted in April 2017 for \$2,897,207 and May 2017 for \$1,533,176 of which \$1,504,108 was used for payroll. The balance remaining in the account is \$29,068 (\$1,533,176 - \$1,504,108).

On September 12, 2017, the DUAB granted another \$3,100,000 loan, to be used in part to pay the School Corporation's health insurance provider.

**Note 10. Combined Funds**

The Savings Bonds fund was reported individually in the prior financial statement, but was combined with the Employee Insurance fund for the current financial statement.

**Note 11. Plans to Address Financial Concerns**

Under the Senate Enrolled Act (SEA) 567, which was passed on April 28, 2017, Gary Community School Corporation (GCSC) was designated as a distressed political subdivision. Due to this designation, an emergency manager was appointed for the School Corporation as of August 1, 2017. This SEA specifies the powers and duties of the emergency manager and establishes a fiscal management board for GCSC.

SEA 567 requires the emergency manager to employ a chief financial officer and chief academic officer for the school corporation. The chief financial officer will report to the emergency manager and assist the emergency manager and fiscal management board in carrying out the day to day financial operations of the school corporation. The chief academic officer will report to the emergency manager and assist the fiscal management board in carrying out the academic matters of the school corporation.

The Act also authorizes the State of Indiana's Distressed Unit Appeal Board (DUAB) to:

- Delay or suspend any payments of principal or interest, or both, that would otherwise be due from the school corporation on loans or advances from the common school fund;
- Recommend to the state board of finance that the state board of finance make an interest free loan to the school corporation from the common school fund;
- Establish benchmarks of financial improvements;

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

- Provide grants to the school corporation, from funds appropriated to the DUAB, to assist the school corporation in overcoming short term financial problems.
- Make a recommendation to the general assembly concerning the possible restructuring of advances made to the school corporation from the common school fund, including forgiveness of principal and interest on those advances.

The Act requires the emergency manager to do the following:

1. Attempt to negotiate with the creditors of the school corporation to establish a plan specifying the schedule for paying each creditor.
2. Submit the plan to the DUAB for approval. The emergency manager must consult with the governing body of the school corporation, the fiscal management board, and the mayor of the city of Gary in developing the school corporation's annual budget, and the DUAB must review and approve the school corporation's annual budget. The annual budget adopted by the emergency manager for the school corporation must dedicate a significant part of the school corporation's budget to eliminating the school corporation's debt obligations.
3. Provide written notice to the mayor of the city of Gary at least 30 days before selling assets or transferring property.

During the period after the effective date of the bill and before an emergency manager is appointed, the financial specialist appointed for the school corporation may identify and implement labor force reductions, including contract cancellations due to a reduction in force. The governing body may not enter into or renew any contract unless that contract or contract renewal is first approved by the DUAB

On July 31, 2017, the DUAB appointed Dr. Peggy Hinckley, working with MGT Consulting Group, as the emergency manager. The emergency manager and MGT Consulting began at the School Corporation on August 1, 2017.

**Note 12. Funds Held by the State of Indiana**

Beginning in December 2014, the Indiana Department of Education (IDOE) retained the School Corporation's monthly reimbursement amount for the Child Nutrition program. The IDOE paid the School Corporation's food service management company as well as reimbursed the School Corporation for related costs for the food service program. The receipts, disbursements, and cash and investment balance that were held by the IDOE are reflected in the School Corporation's School Lunch fund. The details of the receipts, disbursements, and cash and investment balances reported in the School Corporation's School Lunch fund processed and held by the IDOE is reflected below:

GARY COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

<u>Fiscal Year</u>	<u>Beginning Cash and Investment Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash and Investment Balance</u>
July 1, 2014 to June 30, 2015	\$ -	\$ 3,345,665	\$ 2,036,211	\$ 1,309,454
July 1, 2015 to June 30, 2016	\$ 1,309,454	\$ 4,092,689	\$ 3,902,643	\$ 1,499,500

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## OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	Construction	School Lunch
Cash and investments - beginning	\$ (3,060,755)	\$ (1,064,538)	\$ (744,666)	\$ 719,732	\$ (8,551,606)	\$ 202,556	\$ 2,172,870
Receipts:							
Local sources	1,680,592	4,879,381	4,640,265	3,268,525	5,423,410	-	98,829
Intermediate sources	572,766	-	-	-	-	-	-
State sources	53,021,719	-	-	-	-	-	3,869
Federal sources	463,430	357	337	739	955	-	4,159,638
Temporary loans	5,000,000	-	-	-	-	-	-
Other receipts	-	-	-	1,441,442	-	-	-
Total receipts	<u>60,738,507</u>	<u>4,879,738</u>	<u>4,640,602</u>	<u>4,710,706</u>	<u>5,424,365</u>	<u>-</u>	<u>4,262,336</u>
Disbursements:							
Instruction	33,960,721	-	-	23,477	-	-	367,509
Support services	22,799,333	-	-	1,041,966	5,998,314	-	1,941
Noninstructional services	35,807	-	-	-	247,394	-	4,784,019
Facilities acquisition and construction	-	-	-	2,257,479	-	-	-
Debt services	1,346,986	5,483,443	2,984,350	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>58,142,847</u>	<u>5,483,443</u>	<u>2,984,350</u>	<u>3,322,922</u>	<u>6,245,708</u>	<u>-</u>	<u>5,153,469</u>
Excess (deficiency) of receipts over disbursements	<u>2,595,660</u>	<u>(603,705)</u>	<u>1,656,252</u>	<u>1,387,784</u>	<u>(821,343)</u>	<u>-</u>	<u>(891,133)</u>
Other financing sources (uses):							
Proceeds of long-term debt	354,579	94,830	-	-	1,515,173	-	-
Sale of capital assets	79,343	-	-	-	-	-	-
Transfers in	9,274	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(9,274)
Total other financing sources (uses)	<u>443,196</u>	<u>94,830</u>	<u>-</u>	<u>-</u>	<u>1,515,173</u>	<u>-</u>	<u>(9,274)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,038,856</u>	<u>(508,875)</u>	<u>1,656,252</u>	<u>1,387,784</u>	<u>693,830</u>	<u>-</u>	<u>(900,407)</u>
Cash and investments - ending	<u>\$ (21,899)</u>	<u>\$ (1,573,413)</u>	<u>\$ 911,586</u>	<u>\$ 2,107,516</u>	<u>\$ (7,857,776)</u>	<u>\$ 202,556</u>	<u>\$ 1,272,463</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Textbook Rental	Self- Insurance	DUAB \$15M	Levy Excess	Alternative Education	Early Intervention Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 5,867,338	\$ 6,126,284	\$ -	\$ -	\$ 10,224	\$ 78,443	\$ (5,283)
Receipts:							
Local sources	15,035	570,151	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	428,762	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>443,797</u>	<u>570,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	127,598	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	967,823	-	-	-	-	-
Total disbursements	<u>127,598</u>	<u>967,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>316,199</u>	<u>(397,672)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>316,199</u>	<u>(397,672)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,183,537</u>	<u>\$ 5,728,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,224</u>	<u>\$ 78,443</u>	<u>\$ (5,283)</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Construction, Remodeling, and Equipping Buildings	Special Ed. United Way	Formative Asses.	Instruction Support	Medicaid Reimbursement	Non-English Speaking Programs	Technology Grants [IC 20-40-15]
Cash and investments - beginning	\$ 12,217	\$ 53,604	\$ -	\$ 47,451	\$ 61,719	\$ 7,471	\$ 52,623
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	56,877	64,866	-	3,496
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	56,877	64,866	-	3,496
Disbursements:							
Instruction	-	-	-	70,649	-	-	-
Support services	-	-	-	14,079	75,543	261	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	84,728	75,543	261	-
Excess (deficiency) of receipts over disbursements	-	-	-	(27,851)	(10,677)	(261)	3,496
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(27,851)	(10,677)	(261)	3,496
Cash and investments - ending	\$ 12,217	\$ 53,604	\$ -	\$ 19,600	\$ 51,042	\$ 7,210	\$ 56,119

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	WGVE Broadcast	Title I - School Improvement	School Impv 1003g	Title I	Impact Aid	Imp. Sp. Education	Sp. Ed. Improv
Cash and investments - beginning	\$ 32,936	\$ (36,852)	\$ (846,517)	\$ (106,023)	\$ 24,362	\$ (8,860)	\$ (3,855,551)
Receipts:							
Local sources	114,696	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	472,085	2,894,918	6,496,754	1,728	-	1,842,026
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>114,696</u>	<u>472,085</u>	<u>2,894,918</u>	<u>6,496,754</u>	<u>1,728</u>	<u>-</u>	<u>1,842,026</u>
Disbursements:							
Instruction	83,064	61,369	1,033,681	2,602,853	-	-	2,896,028
Support services	-	393,423	972,446	3,574,636	4,382	-	-
Noninstructional services	-	8,109	9,703	314,062	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>83,064</u>	<u>462,901</u>	<u>2,015,830</u>	<u>6,491,551</u>	<u>4,382</u>	<u>-</u>	<u>2,896,028</u>
Excess (deficiency) of receipts over disbursements	<u>31,632</u>	<u>9,184</u>	<u>879,088</u>	<u>5,203</u>	<u>(2,654)</u>	<u>-</u>	<u>(1,054,002)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>31,632</u>	<u>9,184</u>	<u>879,088</u>	<u>5,203</u>	<u>(2,654)</u>	<u>-</u>	<u>(1,054,002)</u>
Cash and investments - ending	<u>\$ 64,568</u>	<u>\$ (27,668)</u>	<u>\$ 32,571</u>	<u>\$ (100,820)</u>	<u>\$ 21,708</u>	<u>\$ (8,860)</u>	<u>\$ (4,909,553)</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Sp. Ed. Preschool	Adult Basic Education	Adult Ed. Vouchers	Adult Ed. Remediation	Safe & Drug Free	Title II - Eisenhower - Science and Math Technology Grants	UTEP
Cash and investments - beginning	\$ (168,540)	\$ (44,549)	\$ (4,597)	\$ (4,710)	\$ 1,290	\$ 2,250	\$ 7,333
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	131,499	153,676	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>131,499</u>	<u>153,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	92,019	161,156	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>92,019</u>	<u>161,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>39,480</u>	<u>(7,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	14,615	-	-	-	-	-	-
Transfers out	<u>(14,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>39,480</u>	<u>(7,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (129,060)</u>	<u>\$ (52,029)</u>	<u>\$ (4,597)</u>	<u>\$ (4,710)</u>	<u>\$ 1,290</u>	<u>\$ 2,250</u>	<u>\$ 7,333</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Carl D. Perkins	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Deep River	Technology	Vision Athena
Cash and investments - beginning	\$ (11,564)	\$ 498,136	\$ 11,657	\$ (95)	\$ 926	\$ (170,449)	\$ 8,635
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	59,271	-
Federal sources	366,547	178,899	1,069,152	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>366,547</u>	<u>178,899</u>	<u>1,069,152</u>	<u>-</u>	<u>-</u>	<u>59,271</u>	<u>-</u>
Disbursements:							
Instruction	283,394	-	343,863	476	-	69,877	-
Support services	21,128	-	714,813	-	-	82,653	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>304,522</u>	<u>-</u>	<u>1,058,676</u>	<u>476</u>	<u>-</u>	<u>152,530</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>62,025</u>	<u>178,899</u>	<u>10,476</u>	<u>(476)</u>	<u>-</u>	<u>(93,259)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>62,025</u>	<u>178,899</u>	<u>10,476</u>	<u>(476)</u>	<u>-</u>	<u>(93,259)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 50,461</u>	<u>\$ 677,035</u>	<u>\$ 22,133</u>	<u>\$ (571)</u>	<u>\$ 926</u>	<u>\$ (263,708)</u>	<u>\$ 8,635</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Common School	Fiscal Stabilization - Education	ARRA Title I - Grants to LEAs	ARRA Special Education - Part B	McKinney - Vento Education for Homeless	Employee FICA	Employee Pensions
Cash and investments - beginning	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233	\$ -	\$ 1,572,092	\$ 29,188
Receipts:							
Local sources	-	-	-	-	739	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	3,732,143	162,704
Total receipts	-	-	-	-	739	3,732,143	162,704
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	3,881,370	177,241
Total disbursements	-	-	-	-	-	3,881,370	177,241
Excess (deficiency) of receipts over disbursements	-	-	-	-	739	(149,227)	(14,537)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	739	(149,227)	(14,537)
Cash and investments - ending	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233	\$ 739	\$ 1,422,865	\$ 14,651

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Employee Insurance	FIT	State Tax	Annuities	Garnishments	Union Dues
Cash and investments - beginning	\$ 193,685	\$ 2,526,195	\$ -	\$ (3,303)	\$ (479)	\$ 18,196
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other receipts	<u>1,696,324</u>	<u>6,026,466</u>	<u>2,183,664</u>	<u>2,323,403</u>	<u>617,922</u>	<u>626,466</u>
Total receipts	<u>1,696,324</u>	<u>6,026,466</u>	<u>2,183,664</u>	<u>2,323,403</u>	<u>617,922</u>	<u>626,466</u>
Disbursements:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	<u>1,916,233</u>	<u>6,300,921</u>	<u>2,182,746</u>	<u>2,322,533</u>	<u>618,468</u>	<u>509,854</u>
Total disbursements	<u>1,916,233</u>	<u>6,300,921</u>	<u>2,182,746</u>	<u>2,322,533</u>	<u>618,468</u>	<u>509,854</u>
Excess (deficiency) of receipts over disbursements	<u>(219,909)</u>	<u>(274,455)</u>	<u>918</u>	<u>870</u>	<u>(546)</u>	<u>116,612</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(219,909)</u>	<u>(274,455)</u>	<u>918</u>	<u>870</u>	<u>(546)</u>	<u>116,612</u>
Cash and investments - ending	<u>\$ (26,224)</u>	<u>\$ 2,251,740</u>	<u>\$ 918</u>	<u>\$ (2,433)</u>	<u>\$ (1,025)</u>	<u>\$ 134,808</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Withholdings (Misc. Deductions)	Credit Union	Provident Life Insurance	Short-Term Disability	Retirees Life Insurance	Totals
Cash and investments - beginning	\$ 71	\$ (585)	\$ 348	\$ 150	\$ (26,399)	\$ 1,673,749
Receipts:						
Local sources	-	-	-	-	-	20,691,623
Intermediate sources	-	-	-	-	-	572,766
State sources	-	-	-	-	-	53,638,860
Federal sources	-	-	-	-	-	18,232,740
Temporary loans	-	-	-	-	-	5,000,000
Other receipts	12,552	1,849,148	158,348	218,658	301,025	21,350,265
Total receipts	12,552	1,849,148	158,348	218,658	301,025	119,486,254
Disbursements:						
Instruction	-	-	-	-	-	42,050,136
Support services	-	-	-	-	-	35,822,516
Noninstructional services	-	-	-	-	-	5,399,094
Facilities acquisition and construction	-	-	-	-	-	2,257,479
Debt services	-	-	-	-	-	9,814,779
Nonprogrammed charges	12,552	1,849,233	158,321	218,601	321,111	21,437,007
Total disbursements	12,552	1,849,233	158,321	218,601	321,111	116,781,011
Excess (deficiency) of receipts over disbursements	-	(85)	27	57	(20,086)	2,705,243
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	1,964,582
Sale of capital assets	-	-	-	-	-	79,343
Transfers in	-	-	-	-	-	23,889
Transfers out	-	-	-	-	-	(23,889)
Total other financing sources (uses)	-	-	-	-	-	2,043,925
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(85)	27	57	(20,086)	4,749,168
Cash and investments - ending	\$ 71	\$ (670)	\$ 375	\$ 207	\$ (46,485)	\$ 6,422,917

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	Construction	School Lunch
Cash and investments - beginning	\$ (21,899)	\$ (1,573,413)	\$ 911,586	\$ 2,107,516	\$ (7,857,776)	\$ 202,556	\$ 1,272,463
Receipts:							
Local sources	311,456	3,681,837	3,282,566	3,194,512	5,089,280	-	86,477
Intermediate sources	382,202	-	-	-	-	-	-
State sources	44,208,443	-	-	-	-	-	1,918
Federal sources	241,023	351	528	413	906	-	4,092,689
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	791,831	-	-	-
Total receipts	<u>45,143,124</u>	<u>3,682,188</u>	<u>3,283,094</u>	<u>3,986,756</u>	<u>5,090,186</u>	<u>-</u>	<u>4,181,084</u>
Disbursements:							
Instruction	26,163,583	-	-	-	-	-	2,347
Support services	18,609,073	-	-	2,518,029	4,953,665	-	9
Noninstructional services	30,677	-	-	-	213,172	-	3,430,955
Facilities acquisition and construction	-	-	-	2,209,782	-	-	-
Debt services	3,786,010	5,023,747	2,797,590	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>48,589,343</u>	<u>5,023,747</u>	<u>2,797,590</u>	<u>4,727,811</u>	<u>5,166,837</u>	<u>-</u>	<u>3,433,311</u>
Excess (deficiency) of receipts over disbursements	<u>(3,446,219)</u>	<u>(1,341,559)</u>	<u>485,504</u>	<u>(741,055)</u>	<u>(76,651)</u>	<u>-</u>	<u>747,773</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	3,321	-	-	-	-	-	-
Transfers in	597,916	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(597,916)
Total other financing sources (uses)	<u>601,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(597,916)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,844,982)</u>	<u>(1,341,559)</u>	<u>485,504</u>	<u>(741,055)</u>	<u>(76,651)</u>	<u>-</u>	<u>149,857</u>
Cash and investments - ending	<u>\$ (2,866,881)</u>	<u>\$ (2,914,972)</u>	<u>\$ 1,397,090</u>	<u>\$ 1,366,461</u>	<u>\$ (7,934,427)</u>	<u>\$ 202,556</u>	<u>\$ 1,422,320</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Textbook Rental	Self- Insurance	DUAB \$15M	Levy Excess	Alternative Education	Early Intervention Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 6,183,537	\$ 5,728,612	\$ -	\$ -	\$ 10,224	\$ 78,443	\$ (5,283)
Receipts:							
Local sources	11,288	517,306	-	1,644	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	370,715	-	14,565,650	-	5,088	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	5,580,100	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>382,003</u>	<u>517,306</u>	<u>20,145,750</u>	<u>1,644</u>	<u>5,088</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	3,295,320	-	-	-	-
Support services	54,642	-	9,712,130	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	717,986	5,580,100	-	-	-	-
Total disbursements	<u>54,642</u>	<u>717,986</u>	<u>18,587,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>327,361</u>	<u>(200,680)</u>	<u>1,558,200</u>	<u>1,644</u>	<u>5,088</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>327,361</u>	<u>(200,680)</u>	<u>1,558,200</u>	<u>1,644</u>	<u>5,088</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,510,898</u>	<u>\$ 5,527,932</u>	<u>\$ 1,558,200</u>	<u>\$ 1,644</u>	<u>\$ 15,312</u>	<u>\$ 78,443</u>	<u>\$ (5,283)</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Construction, Remodeling, and Equipping Buildings	Special Ed. United Way	Formative Asses.	Instruction Support	Medicaid Reimbursement	Non-English Speaking Programs	Technology Grants [IC 20-40-15]
Cash and investments - beginning	\$ 12,217	\$ 53,604	\$ -	\$ 19,600	\$ 51,042	\$ 7,210	\$ 56,119
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	61,441	53,640	28,805	-	2,244
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	61,441	53,640	28,805	-	2,244
Disbursements:							
Instruction	-	-	-	53,491	-	-	-
Support services	-	-	-	4,536	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	58,027	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	61,441	(4,387)	28,805	-	2,244
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	61,441	(4,387)	28,805	-	2,244
Cash and investments - ending	\$ 12,217	\$ 53,604	\$ 61,441	\$ 15,213	\$ 79,847	\$ 7,210	\$ 58,363

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	WGVE Broadcast	Title I - School Improvement	School Impv 1003g	Title I	Impact Aid	Imp. Sp. Education	Sp. Ed. Improv
Cash and investments - beginning	\$ 64,568	\$ (27,668)	\$ 32,571	\$ (100,820)	\$ 21,708	\$ (8,860)	\$ (4,909,553)
Receipts:							
Local sources	94,569	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	274,985	885,971	7,146,265	3,577	-	2,393,151
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>94,569</u>	<u>274,985</u>	<u>885,971</u>	<u>7,146,265</u>	<u>3,577</u>	<u>-</u>	<u>2,393,151</u>
Disbursements:							
Instruction	63,162	93,610	236,537	2,654,088	-	-	2,564,021
Support services	-	172,406	618,485	4,316,792	8,630	-	-
Noninstructional services	-	5,536	253	152,451	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>63,162</u>	<u>271,552</u>	<u>855,275</u>	<u>7,123,331</u>	<u>8,630</u>	<u>-</u>	<u>2,564,021</u>
Excess (deficiency) of receipts over disbursements	<u>31,407</u>	<u>3,433</u>	<u>30,696</u>	<u>22,934</u>	<u>(5,053)</u>	<u>-</u>	<u>(170,870)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>31,407</u>	<u>3,433</u>	<u>30,696</u>	<u>22,934</u>	<u>(5,053)</u>	<u>-</u>	<u>(170,870)</u>
Cash and investments - ending	<u>\$ 95,975</u>	<u>\$ (24,235)</u>	<u>\$ 63,267</u>	<u>\$ (77,886)</u>	<u>\$ 16,655</u>	<u>\$ (8,860)</u>	<u>\$ (5,080,423)</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Sp. Ed. Preschool	Adult Basic Education	Adult Ed. Vouchers	Adult Ed. Remediation	Safe & Drug Free	Title II - Eisenhower - Science and Math Technology Grants	UTEP
Cash and investments - beginning	\$ (129,060)	\$ (52,029)	\$ (4,597)	\$ (4,710)	\$ 1,290	\$ 2,250	\$ 7,333
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	196,663	167,203	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>196,663</u>	<u>167,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	204,831	164,315	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>204,831</u>	<u>164,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(8,168)</u>	<u>2,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(8,168)</u>	<u>2,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (137,228)</u>	<u>\$ (49,141)</u>	<u>\$ (4,597)</u>	<u>\$ (4,710)</u>	<u>\$ 1,290</u>	<u>\$ 2,250</u>	<u>\$ 7,333</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Carl D. Perkins	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Deep River	Technology	Vision Athena
Cash and investments - beginning	\$ 50,461	\$ 677,035	\$ 22,133	\$ (571)	\$ 926	\$ (263,708)	\$ 8,635
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	81,447	-
Federal sources	398,360	79,442	835,787	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>398,360</u>	<u>79,442</u>	<u>835,787</u>	<u>-</u>	<u>-</u>	<u>81,447</u>	<u>-</u>
Disbursements:							
Instruction	431,887	-	114,141	-	-	36,857	-
Support services	21,160	-	741,315	-	-	47,909	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>453,047</u>	<u>-</u>	<u>855,456</u>	<u>-</u>	<u>-</u>	<u>84,766</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(54,687)</u>	<u>79,442</u>	<u>(19,669)</u>	<u>-</u>	<u>-</u>	<u>(3,319)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(54,687)</u>	<u>79,442</u>	<u>(19,669)</u>	<u>-</u>	<u>-</u>	<u>(3,319)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (4,226)</u>	<u>\$ 756,477</u>	<u>\$ 2,464</u>	<u>\$ (571)</u>	<u>\$ 926</u>	<u>\$ (267,027)</u>	<u>\$ 8,635</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Common School	Fiscal Stabilization - Education	ARRA Title I - Grants to LEAs	ARRA Special Education - Part B	McKinney - Vento Education for Homeless	Employee FICA	Employee Pensions
Cash and investments - beginning	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233	\$ 739	\$ 1,422,865	\$ 14,651
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	3,234,862	117,449
Total receipts	-	-	-	-	-	3,234,862	117,449
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	3,236,016	118,953
Total disbursements	-	-	-	-	-	3,236,016	118,953
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(1,154)	(1,504)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(1,154)	(1,504)
Cash and investments - ending	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233	\$ 739	\$ 1,421,711	\$ 13,147

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Employee Insurance	FIT	State Tax	Annuities	Garnishments	Union Dues
Cash and investments - beginning	\$ (26,224)	\$ 2,251,740	\$ 918	\$ (2,433)	\$ (1,025)	\$ 134,808
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other receipts	<u>1,809,913</u>	<u>5,200,222</u>	<u>1,879,104</u>	<u>1,771,174</u>	<u>553,577</u>	<u>526,844</u>
Total receipts	<u>1,809,913</u>	<u>5,200,222</u>	<u>1,879,104</u>	<u>1,771,174</u>	<u>553,577</u>	<u>526,844</u>
Disbursements:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	<u>1,224,903</u>	<u>5,282,528</u>	<u>1,879,855</u>	<u>1,765,885</u>	<u>553,577</u>	<u>492,836</u>
Total disbursements	<u>1,224,903</u>	<u>5,282,528</u>	<u>1,879,855</u>	<u>1,765,885</u>	<u>553,577</u>	<u>492,836</u>
Excess (deficiency) of receipts over disbursements	<u>585,010</u>	<u>(82,306)</u>	<u>(751)</u>	<u>5,289</u>	<u>-</u>	<u>34,008</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>585,010</u>	<u>(82,306)</u>	<u>(751)</u>	<u>5,289</u>	<u>-</u>	<u>34,008</u>
Cash and investments - ending	<u>\$ 558,786</u>	<u>\$ 2,169,434</u>	<u>\$ 167</u>	<u>\$ 2,856</u>	<u>\$ (1,025)</u>	<u>\$ 168,816</u>

GARY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Withholdings (Misc. Deductions)	Credit Union	Provident Life Insurance	Short-Term Disability	Retirees Life Insurance	Totals
Cash and investments - beginning	\$ 71	\$ (670)	\$ 375	\$ 207	\$ (46,485)	\$ 6,422,917
Receipts:						
Local sources	-	-	-	-	-	16,270,935
Intermediate sources	-	-	-	-	-	382,202
State sources	-	-	-	-	-	59,379,391
Federal sources	-	-	-	-	-	16,717,314
Temporary loans	-	-	-	-	-	5,580,100
Other receipts	-	1,412,083	124,882	182,137	243,890	17,847,968
Total receipts	-	1,412,083	124,882	182,137	243,890	116,177,910
Disbursements:						
Instruction	-	-	-	-	-	36,078,190
Support services	-	-	-	-	-	41,778,781
Noninstructional services	-	-	-	-	-	3,833,044
Facilities acquisition and construction	-	-	-	-	-	2,209,782
Debt services	-	-	-	-	-	11,607,347
Nonprogrammed charges	-	1,411,873	124,900	182,065	225,628	22,797,105
Total disbursements	-	1,411,873	124,900	182,065	225,628	118,304,249
Excess (deficiency) of receipts over disbursements	-	210	(18)	72	18,262	(2,126,339)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	3,321
Transfers in	-	-	-	-	-	597,916
Transfers out	-	-	-	-	-	(597,916)
Total other financing sources (uses)	-	-	-	-	-	3,321
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	210	(18)	72	18,262	(2,123,018)
Cash and investments - ending	\$ 71	\$ (460)	\$ 357	\$ 279	\$ (28,223)	\$ 4,299,899

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GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Kansas State Bank	Copiers Lease	\$ 119,880	04/01/2014	03/01/2017
Gary Community School Building Corporation	Refunding 2004 Bonds	1,398,000	01/15/2013	01/15/2029
Gary Community School Building Corporation	McCullough Renovations	1,091,500	12/31/2012	12/31/2028
Gary Community School Building Corporation	General Operating Costs	<u>2,200,000</u>	07/15/2013	01/15/2033
Total of annual lease payments		<u>\$ 4,809,380</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Equipment and operating cash flow	\$ 30,408,312	\$ 2,904,991
General Obligation Bonds	District wide and school improvements and judgements	<u>12,775,000</u>	<u>1,533,849</u>
Totals		<u>\$ 43,183,312</u>	<u>\$ 4,438,840</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Gary Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2016-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

As described in item 2016-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Reporting and Special Tests and Provisions - School Food Accounts that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in items 2016-008 and 2016-014 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Special Tests and Provisions - Schoolwide Programs. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in items 2016-011, 2016-012, 2016-015, and 2016-016 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Matching, Level of Effort, Earmarking, Period of Availability, Reporting, Special Tests and Provisions - Annual Report Card, High School Graduation Rate, and Special Tests and Provisions - Comparability that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Basis for Qualified Opinion on Improving Teacher Quality State Grants***

As described in items 2016-008 and 2016-014 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Improving Teacher Quality State Grants regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Schoolwide Programs. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in items 2016-011 and 2016-012, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Matching, Level of Effort, Earmarking, Period of Availability, and Reporting that are applicable to its Improving Teacher Quality State Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Basis for Qualified Opinion on School Improvement Grants***

As described in items 2016-008 and 2016-014 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with School Improvement Grants regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Schoolwide Programs. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in item 2016-012 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Period of Availability and Reporting that are applicable to its School Improvement Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in items 2016-019 and 2016-020 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking and Reporting. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in item 2016-018 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Allowable Costs/Cost Principles, and the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Title I Grants to Local Educational Agencies regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Special Tests and Provisions - Schoolwide Programs, and the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2014 to June 30, 2016.

***Qualified Opinion on Improving Teacher Quality State Grants***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Improving Teacher Quality State Grants regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Schoolwide Programs, and the noncompliance described in the *Basis for Qualified Opinion on Improving Teacher Quality State Grants* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Improving Teacher Quality State Grants for the period of July 1, 2014 to June 30, 2016.

***Qualified Opinion on School Improvement Grants***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of School Improvement Grants regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Schoolwide Programs, and the noncompliance described in the *Basis for Qualified Opinion on School Improvement Grants* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on School Improvement Grants for the period of July 1, 2014 to June 30, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Qualified Opinion on Special Education Cluster (IDEA)***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Special Education Cluster regarding Matching, Level of Effort, Earmarking, and Reporting, and the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Special Education Cluster for the period of July 1, 2014 to June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-006, 2016-009, 2016-013, and 2016-017. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, and 2016-020 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-009 and 2016-010 to be significant deficiencies.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Tammy R. White, CPA  
Deputy State Examiner

September 28, 2017

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY 2015 and 2016	\$ -	\$ 1,447,265	\$ -	\$ 1,321,750
National School Lunch Program		10.555	FY 2015 and 2016	-	2,608,513	-	2,504,152
National School Lunch Program - Commodities			FY 2015 and 2016	-	263,096	-	256,926
Total - National School Lunch Program				-	2,871,609	-	2,761,078
Summer Food Service Program for Children		10.559	FY 2015 and 2016	-	30,447	-	64,947
Total - Child Nutrition Cluster				-	4,349,321	-	4,147,775
Fresh Fruit and Vegetable Program		10.582	FY 2015 and 2016	-	94,586	-	201,840
Total - Department of Agriculture				-	4,443,907	-	4,349,615
<u>Department of Defense</u>							
Army Junior Reserve Officers' Training Corps (JROTC)	Direct Grant	12.Unknown	FY 2015 and 2016	-	94,018	-	22,684
Total - Department of Defense				-	94,018	-	22,684
<u>Department of Education</u>							
Impact Aid	Direct Grant	84.041					
Impact Aid			SO41B-2009-1597	-	1,433	-	-
Impact Aid			SO41B-2010-1597	-	-	-	60
Impact Aid			SO41B-2011-1597	-	782	-	-
Impact Aid			SO41B-2012-1597	-	-	-	2,021
Impact Aid			SO41B-2013-1597	-	-	-	2,144
Impact Aid			SO41B-2014-1597	-	733	-	570
Impact Aid			SO41B-2015-1597	-	1,433	-	3,718
Impact Aid			SO41B-2017-1597	-	-	-	117
Total - Impact Aid				-	4,381	-	8,630
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Education Grant			14214-019-PN01	-	1,334,080	-	55,842
Special Education Grant			14215-019-PN01	-	296,778	-	1,142,093
Special Education Grant			14216-017-PN01	-	-	-	1,195,216
Total - Special Education_Grants to States				-	1,630,858	-	2,393,151
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grant			45714-019-PN01	-	131,499	-	-
Special Education Preschool Grant			45715-019-PN01	-	-	-	88,873
Special Education Preschool Grant			45716-017-PN01	-	-	-	107,791
Total - Special Education_Preschool Grants				-	131,499	-	196,664
Total - Special Education Cluster (IDEA)				-	1,762,357	-	2,589,815

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016  
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Education (continued)</u>							
School Improvement Grants Cluster							
School Improvement Grants	Indiana Department of Education	84.377					
Title I Regular School Improvement Grants			FY 2014	-	2,035,509	-	-
Title I Regular School Improvement Grants			FY 2015	-	859,408	-	885,971
<b>Total - School Improvement Grants Cluster</b>				<b>-</b>	<b>2,894,917</b>	<b>-</b>	<b>885,971</b>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
School Improvement Grant			14-4690	-	427,676	-	-
School Improvement Grant			15-4690	-	44,408	-	225,643
School Improvement Grant			16-4690	-	-	-	49,342
Title I Basic Grant			14-4690	-	2,092,993	-	-
Title I Basic Grant			15-4690	-	4,403,759	-	1,760,388
Title I Basic Grant			16-4690	-	-	-	5,385,877
<b>Total - Title I Grants to Local Educational Agencies</b>				<b>-</b>	<b>6,968,836</b>	<b>-</b>	<b>7,421,250</b>
Adult Education - Basic Grants to States	Indiana Department of Education	84.002					
Adult Basic Education			PY 2014	-	68,852	-	-
Adult Basic Education			PY 2015	-	84,824	-	33,103
Adult Basic Education			PY 2016	-	-	-	134,100
<b>Total - Adult Education - Basic Grants to States</b>				<b>-</b>	<b>153,676</b>	<b>-</b>	<b>167,203</b>
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
Career And Technical Education			14-4700-4690	-	92,884	-	-
Career and Technical Education			15-4700-4690	-	273,663	-	131,925
Career and Technical Education			16-4700-4690	-	-	-	266,435
<b>Total - Career and Technical Education -- Basic Grants to States</b>				<b>-</b>	<b>366,547</b>	<b>-</b>	<b>398,360</b>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality			12-4690	-	232,158	-	-
Title II Improving Teacher Quality			13-4690	-	572,205	-	24,453
Title II Improving Teacher Quality			14-4690	-	264,788	-	439,017
Title II Improving Teacher Quality			15-4690	-	-	-	372,317
<b>Total - Improving Teacher Quality State Grants</b>				<b>-</b>	<b>1,069,151</b>	<b>-</b>	<b>835,787</b>
<b>Total - Department of Education</b>				<b>-</b>	<b>13,219,865</b>	<b>-</b>	<b>12,307,016</b>
<u>Department of Health and Human Services</u>							
Medicaid Cluster	Indiana Family and Social Services Administration	93.778					
Medical Assistance Program			FY 2015 and 2016	-	178,899	-	79,442
<b>Total - Medicaid Cluster</b>				<b>-</b>	<b>178,899</b>	<b>-</b>	<b>79,442</b>
<b>Total - Department of Health and Human Services</b>				<b>-</b>	<b>178,899</b>	<b>-</b>	<b>79,442</b>
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 17,936,689</b>	<b>\$ -</b>	<b>\$ 16,758,757</b>

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

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
84.377	School Improvement Grants
	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,040,863

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2016-001**

Subject: Cash and Investment Balances  
Audit Findings: Material Weakness, Scope Limitation/Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-001 from the immediate prior audit year.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

The School Corporation was responsible for ensuring that the accounting record balances (ledgers) were reconciled with the bank depository balances at least monthly. Controls had not been developed to ensure that reconcilements were completed or that they were accurate when completed.

1. The School Corporation had not separated incompatible activities related to Cash and Investment balances. Depository reconcilements of the vendor and payroll bank accounts were performed by the Treasurer; however, policies or procedures for an independent review of the reconcilements were not established.
2. The operating account bank reconcilements for the period of July 2014 to April 2015 were not performed until after the appointment of the current Treasurer and the opening of new bank accounts in May 2015.
3. The payroll bank account was not reconciled in the prior audit period or between July 2014 and the opening of the new bank account in May 2015 of the current audit period. The cash balance from the closed account was deposited into the new bank account. An outstanding check list from the new payroll account had been maintained; however, the prior payroll account's balance that was transferred to the new account was not properly reconciled. A detailed outstanding check list was not prepared; therefore, the total depository balance was not reconciled to the record balance.
4. An outstanding check list for the operating account had not been prepared because the account had not been reconciled during prior audit periods. Outstanding checks reported in the bank reconcilements provided for audit were for that month only and did not include outstanding checks from prior months. An outstanding check list generated from the financial accounting system for the periods ended June 30, 2015, and June 30, 2016, included checks which had cleared the bank after July 2012, but had not been removed from the list. This overstated the outstanding check amounts and rendered the list generated from the financial accounting system incorrect.
5. The reconcilements contained adjustments that presented net activity for payroll withholdings. These adjustments presented the difference between activity from the prior month and activity from the current month. Instead, the current month's unpaid amounts should have been presented as an outstanding item on the reconciliation.

Additional procedures were performed in an attempt to verify the cash and investment balance as of June 30, 2016. Due to the items noted above, the reconcilements presented for audit did not reconcile to the School Corporation's records. This impacted the Independent Auditor's Report, and resulted in a qualified opinion for cash and investment balances on the financial statement.

*Context*

The lack of controls and inaccurate reconcilements were systemic problems, which occurred throughout the audit period.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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. . . ."

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."

*Cause*

Management of the School Corporation had not established a proper system of internal controls.

*Effect*

The failure to provide accurate and complete reconciliations of the bank account balances to the record balances, prevented the determination of whether or not the Cash and Investment balance (financial position) of the School Corporation was fairly presented for the period July 1, 2014 to June 30, 2016.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls to ensure that depository reconciliations are accurately performed on a timely basis.

*Views of Responsible Officials*

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-002***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a partial repeat of Findings 2014-001 and 2014-002 from the immediate prior audit year.

*Condition*

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

*Receipts*

One individual received collections, issued and recorded receipts, prepared the deposits, took the deposits to the bank, and reconciled the deposits to the bank statements. A proper system of oversight or review was not established.

*Disbursements*

As a result of the dismissal of the interim Chief Financial Officer (CFO) and the appointment of the Supervisor of Accounting as Treasurer in 2015, segregation of duties from having the CFO review and approve disbursements no longer existed. The Treasurer, who helped prepare Accounts Payable Voucher's (APV), generated checks, generated APV check registers, recorded disbursements, and also reviewed and approved disbursements.

The State of Indiana appointed a financial consultant in 2015. The financial consultant reviewed and approved all disbursements (payroll and vendor) to ensure adequate cash flow; however, written documentation of the review process was not provided.

*Payroll*

1. A process was not established to ensure a review of the bi-weekly payroll claim before payment.
2. A process was not in place to ensure employees were paid the correct rate of pay. A School Board approved salary schedule or a current collective bargaining agreement was not provided for audit. Additional audit time was spent performing other audit procedures to ascertain if payroll disbursements were fairly stated in the financial statement.

*Financial Transactions Recording and Reporting*

1. One individual prepared the Form 9 financial reports required to be submitted to the Indiana Department of Education (IDOE) every six months. These reports were the basis for the financial statement. This same individual was extensively involved with the disbursement and the cash reconciliation processes.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. In April 2015, the School Corporation issued a \$5,000,000 Tax Anticipation Warrant for the General fund. The repayments of the \$5,000,000 principal were to be recorded in the General fund and the \$68,768 of interest expense in the Debt Service fund. However, the entire \$5,068,768 repayment was recorded in the Debt Service fund. This resulted in a \$5,000,000 understatement of the General fund disbursements and overstatement of its cash and investment balance, and a \$5,000,000 overstatement of the Debt Service fund disbursements and understatement of its cash and investment balance.
3. The School Corporation issued 2015 Judgement bonds. They received \$1,964,581 in proceeds to reimburse the School Transportation fund for \$1,515,173 in previous expenditures and to pay additional court ordered judgements. The proceeds were received and recorded into the Debt Service fund. The School Corporation failed to transfer any funds from the Debt Service fund to the School Transportation fund. Additionally, court ordered judgements totaling \$354,579 were paid directly from the Debt Service fund rather than the General fund or a separate judgment bond fund.
4. The School Corporation failed to properly record \$65,949 in repayments made for Common School Loans related to Roosevelt High School. The Indiana State Board of Education intervened due to low performance and awarded operation of the school to Edison Learning Center. Under the intervention requirements, the School Corporation was responsible for payment of the common school loan on behalf of Roosevelt though deductions from state distribution funding. The payments were withheld from the Basic Grant received from the state, but the amounts were not recorded in the School Corporation's records.
5. Due to the School Corporation's financial condition and failure to make pension payments, the state began withholding payments for the benefit of the Indiana Public Retirement System (INPRS) from the amounts due to the School Corporation for monthly Basic Grant funding. The School Corporation remitted benefit reports to the INPRS to allocate the amounts withheld for member retirement benefits. The School Corporation did not properly record amounts withheld of \$454,896 and \$218,546, for the 2014-2015 and 2015-2016 school years, respectively.
6. In the prior audit period, the School Corporation did not pay its Third Party Service Provider (Provider) for child nutrition services, even though it had received child nutrition grant reimbursements with which to make the payments. In response, the IDOE began retaining the amounts due to the School Corporation for child nutrition grant reimbursements. The IDOE directly paid the Provider for services to the School Corporation from the retained grant reimbursements. Any excess between the grant reimbursements and Provider payments was held in reserve by the IDOE for the School Corporation.

These transactions were not recorded by the School Corporation. This resulted in the understatement of School Lunch fund receipts and disbursements by \$7,438,354 and \$5,938,854, respectively, for the audit period. It also resulted in the understatement of the fund's ending cash and investment balance by \$1,499,500 as of June 30, 2016.

7. The School Corporation combined the Debt Service fund and the DUAB \$15M fund for reporting purposes. The DUAB \$15M fund was used to account for loan proceeds received to pay critical vendors and cash flow to pay payroll until state distributions were received. The two funds should not have been combined for reporting purposes, as they had two separate purposes.

Audit adjustments were proposed, approved by the School Corporation, and made to the financial statement.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of controls and incomplete and inaccurate recording and reporting of transactions were systemic problems, which occurred throughout the audit period.

*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. . . ."

Each member of the school board in accepting the responsibility of administering the financial affairs of a public school system must recognize not only his responsibilities toward the educational needs of the student population of the unit but also the board's relationship with and responsibilities toward the taxpayers of the local unit and of the State. Among other items, faithful performance of duty requires adequate budgeting, accurate accounting and informative reporting of all financial transactions and the establishment of sound business practices for effective and efficient operation of all schools. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

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. (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 statute. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

*Cause*

Management of the School Corporation had not established a proper system of internal controls.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Condition*.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions are properly recorded and that reporting is accurate.

*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**

Subject: Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-003 from the immediate prior audit year.

*Condition*

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly document review of the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source for the SEFA. One employee prepared the grant information for the federal awards and it was informally reviewed by the Treasurer before it was submitted. The review performed by the Treasurer was not effective in mitigating the errors made when the grant information was entered.

The following errors resulted in the understatement of the SEFA by \$3,961,875 and \$3,721,775 for the 2014-2015 and 2015-2016 fiscal years, respectively:

1. The School Breakfast Program was originally omitted. This resulted in an understatement of federal expenditures of \$1,447,265 and \$1,321,750 for each fiscal year, respectively.
2. The National School Lunch Program federal expenditures were understated by \$2,063,040 and \$2,025,680 for each fiscal year, respectively.
3. The Summer Food Service Program for Children was originally omitted. This resulted in an understatement of federal expenditures of \$30,447 and \$64,947 for each fiscal year, respectively.
4. The Fresh Fruit and Vegetable Program was originally omitted. This resulted in an understatement of federal expenditures of \$94,586 and \$201,840 for each fiscal year, respectively.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

5. The Title I Grants to Local Educational Agencies, School Improvement Grant (CFDA number 84.010) was improperly identified as the School Improvement Grants (CFDA number 84.377). Additionally, the School Improvement Grants and the Adult Education - Basic Grants to States grants were identified by incorrect program names.
6. The Special Education\_Grants to States federal expenditures were overstated by \$211,168 and understated by \$5,432 for each fiscal year, respectively.
7. The Improving Teacher Quality State Grants federal expenditures were understated by \$264,788 in the 2014-2015 fiscal year.
8. The Army Junior Reserve Officers' Training Corps (JROTC) grant was originally omitted. This resulted in an understatement of federal expenditures of \$94,018 and \$22,684 for each fiscal year, respectively.
9. The Medical Assistance Program grant was originally omitted. This resulted in an understatement of federal expenditures of \$178,899 and \$79,442 for each fiscal year, respectively.

Audit adjustments were proposed, approved by the School Corporation, and made to the SEFA.

*Context*

The lack of controls and incomplete and incorrect reporting of federal programs and expenditures were systemic problems, which occurred throughout the audit period.

*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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

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

*Effect*

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure accurate reporting of the SEFA.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-004**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed  
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 2015, 2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Activities Allowed or Unallowed  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. The review process over the payment of vendor claims was not effective.

A majority of the vendor disbursements were related to the Food Service Management Company (Management Company). Although the claims for payment showed evidence of a review, the invoices submitted for payment lacked sufficient detail of an effective review.

The Management Company provided detailed documentation to support the invoices paid by the School Corporation.

*Context*

The lack of controls was a systemic problem throughout the audit period. The Management Company accounted for approximately 77 percent of the total grant fund disbursements.

*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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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's management had not developed an effective system of internal controls to ensure compliance with the Activities Allowed or Unallowed compliance requirement.

*Effect*

The failure to establish an effective internal control system could have 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 with the Activities Allowed or Unallowed compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-005**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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 2015, 2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Scope Limitation/Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-015 from the immediate prior year.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

An effective internal control system was not in place at the School Corporation related to the grant agreements and the Allowable Costs/Cost Principles compliance requirement.

The following disbursements recorded in the School Lunch fund, which accounted for the Child Nutrition Cluster programs, did not comply with the Allowable Costs/Cost Principles compliance requirement:

1. The School Corporation paid \$4,270 from the School Lunch fund for insurance costs related to five employees whose wages were paid from the General and School Transportation funds.
2. The School Corporation also paid \$691 from the School Lunch fund for retirement costs in excess of the costs associated with employees of the Child Nutrition programs.

The School Corporation did not provide supporting documentation for compensation paid to food service employees from the School Lunch fund. Timesheets were not presented for audit for cashiers, cooks, and other food service personnel tested. Timesheets were presented for the breakfast/lunch employees. However, amounts paid to the breakfast/lunch employees were not always supported by the timesheets. As a result, the School Corporation paid wages totaling \$13,283 without proper supporting documentation.

The School Corporation requested reimbursement of \$597,916 from the Indiana Department of Education (IDOE) for indirect costs related to maintenance and custodial wages and benefits. The School Corporation calculated a percentage to be applied to the gross wages in order to account for benefits. The amounts were determined by a financial consultant and the claim for reimbursement was signed by School Corporation staff to document review. However, the School Corporation did not have supporting documentation for the claim for reimbursement. The supporting documentation received from the financial consultant for the calculation was dated August 2017 and included August 2017 benefit information to support the calculation. The reimbursement was received by the School Corporation in March 2016.

*Context*

The lack of controls and the noncompliance over payroll and benefits were systemic problems during the first year of the audit period, until food service employees were outsourced to a Food Service Management Company. The lack of controls and failure to provide adequate supporting documentation over indirect costs were systemic problems 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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

OMB Circular A-87, Attachment A, Part C. states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular. . . ."

OMB Circular A-87, Attachment B, section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . ."

*Cause*

The School Corporation's management had not developed an effective internal control structure that would have ensured that supporting documentation was maintained related to payroll and indirect costs charged to the programs.

*Effect*

The failure to retain supporting documentation prevented the determination of the School Corporation's compliance with the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Questioned costs which totaled \$1,564,250 consisted of \$616,160 in known questioned costs as detailed in the *Condition* and \$948,090 in projected likely questioned costs.

*Recommendation*

We recommended that the School Corporation's management establish effective controls to ensure supporting documentation is maintained to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-006**

Subject: School Breakfast Program, National School Lunch Program - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015, 2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a partial repeat of Finding 2014-016 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management requirements that they limit their net cash resources in the School Lunch fund to the three months average expenditures of the food service program. The School Corporation maintained excessive net cash resources in nine of the twenty-four months of the audit period.

The School Corporation received grant reimbursements for its food service program in the prior audit period, but withheld payment to certain vendors due to cash flow needs of the School Corporation. This contributed to excessive net cash resources for two months between July and November 2014.

Beginning in December 2014, Indiana Department of Education (IDOE) retained the requested reimbursements due to the School Corporation and held the amounts in trust. The IDOE began paying the School Corporation's Food Service Management Company directly from the amounts in trust, on behalf of the School Corporation, as well as payments to the School Corporation for its related food service expenses. The net remaining funds from the reimbursement requests less disbursements were retained by the IDOE in a trust account. These funds held in trust contributed to the School Corporation's excessive net cash resources in seven of the remaining nineteen months of the audit period.

*Context*

The lack of controls and noncompliance were systemic problems. The net cash resources in the School Lunch fund exceeded the three months average expenditures for nine of the twenty-four months of 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). . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 210.14(b) states: "*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)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and 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 Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-007**

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions - School Food Accounts

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 2015, 2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - School Food Accounts

Audit Findings: Material Weaknesses, Modified Opinion

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a partial repeat of Finding 2014-016 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Reporting and Special Tests and Provisions - School Food Accounts compliance requirements.

*Special Tests and Provisions - School Food Accounts (School Breakfast Program and National School Lunch Program)*

The School Corporation failed to properly design and implement internal controls to ensure that all activity related to the Child Nutrition Cluster was recorded in the School Corporation's records. Due to the lack of internal controls, the School Corporation failed to properly record all receipts and disbursements of the Child Nutrition Cluster in the School Corporation's accounting records.

Beginning in December 2014, the Indiana Department of Education (IDOE) retained the requested reimbursements due to the School Corporation and held the amounts in trust. The IDOE began paying the Food Service Management Company (Management Company) directly from the amounts in trust, on behalf of the School Corporation, as well as payments to the School Corporation for its related food service expenses.

Between February 2015 and June 2016, the IDOE processed and retained \$7,438,354 of reimbursement requests that were not receipted or recorded in the School Corporation's School Lunch fund. Furthermore, the IDOE processed and remitted \$4,100,224 of payments to the Management Company that were not recorded in the School Corporation's School Lunch fund.

The IDOE reimbursed the School Corporation \$1,838,631 for amounts that the School Corporation paid for the Child Nutrition Cluster program; these were recorded in the School Corporation's records. As of June 30, 2016, \$1,499,499 was held by the IDOE for the School Corporation and was not recorded in the School Corporation's records. This consisted of amounts of requested reimbursements in excess of program costs paid.

*Reporting*

Since the School Corporation failed to properly record all receipts and disbursements, the activity reported in the School Lunch Annual Financial Report (AFR) was not supported by the School Corporation's records. Additionally, the Management Company completed the AFR based on their financial records rather than the School Corporation's records. The information reported in the AFR, while it was accurate for payments that the Management Company received from the IDOE, it did not include the activity and cash balances in the School Corporation's records and the amounts retained by the IDOE.

*Context*

This was a systemic problem as none of the eleven reimbursement claims, or ten payments to the Management Company, processed by the IDOE were recorded in the School Corporation's records. In addition, both of the required AFRs were inaccurate.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

7 CFR 210.14(a) states:

"*Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under §210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)."

7 CFR 220.7(e)(1) states in part:

"(i) Maintain a nonprofit school food service;

(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 3016.20(b) states in part:

". . . The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting and Special Tests and Provisions - School Food Accounts compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements 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 Reporting and Special Tests and Provisions - School Food Accounts compliance requirements.

*Views of Responsible Officials*

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-008***

Subject: Title I Grants to Local Educational Agencies, Improving Teacher  
Quality State Grants, School Improvement Grants - Activities  
Allowed or Unallowed, Allowable Costs/Cost Principles,  
Level of Effort

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Improving Teacher  
Quality State Grants, School Improvement Grants

CFDA Numbers: 84.010, 84.367, 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 16-4690; 12-4690,  
13-4690, FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost  
Principles, Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Scope Limitation/Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-004 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Matching, Level of Effort, Earmarking Level of Effort - Supplement Not Supplant compliance requirements.

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

The following vendor disbursements charged to the Title I Grants to Local Educational Agencies (Title I), Improving Teacher Quality State Grants (Teacher Quality), and School Improvement Grants (SIG) grant funds were paid without adequate supporting documentation to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. These disbursements were considered questioned costs.

**Title I:**

1. The School Corporation paid \$84,000 to vendors for social media outreach that were not necessary and reasonable costs for the performance and administration of the grant.
2. The School Corporation paid \$57,440 for a computerized student records system subscription for the School Corporation as a whole.
3. The School Corporation paid \$17,396 for advertisements for the School Corporation as a whole.
4. The School Corporation paid \$22,776 for after school and summer school trips without detailed supporting invoices from the transportation services company.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

5. The School Corporation paid \$18,428 for field trips, which could have been allowed if prior authorization was granted by the IDOE, without supporting documentation to demonstrate authorization. In addition, \$3,151 of that amount was paid for an activity that was unallowed.
6. The School Corporation paid \$69,896 for a copier lease payment and \$5,129 for toner without documentation to demonstrate that the disbursements supported Title I activities.
7. The School Corporation paid \$955 for art class supplies, \$3,392 for an ID card printer, \$3,684 for 10,000 imprinted pens and pencils, \$945 for logos on materials, and \$20,938 for a bulk purchase of materials without documentation to demonstrate that they were necessary and reasonable costs for the performance and administration of the grant.
8. The School Corporation paid a consultant \$4,725 without a proper contract provided for audit. In addition, a \$600 stipend was paid without supporting documentation to demonstrate that it was for an allowable activity.
9. The School Corporation paid \$1,000 for the improvement of instruction for art; \$132 for physical education equipment; \$550 of professional development for social media; \$1,045 for teacher awards; \$750 for bumper stickers; \$163 for balloons; and \$1,150 of airfare to China without documentation to demonstrate that they were allowable activities or that they were necessary and reasonable costs for the performance and administration of the grant.
10. The School Corporation paid \$137,372 in salaries without supporting documentation of personnel activity reports (such as time records, supplemental pay agreements, time and effort logs, or Semi-Annual Certifications). This limited our scope of testing. Additionally, time records which were provided did not support \$16,685 of salaries paid by Title I.

**Teacher Quality:**

1. Four employees attended a conference in Las Vegas. One employee traveled a day earlier than the others and on a different airline which cost \$585 more. There was no documentation to justify the additional travel costs.
2. Several claims which totaled \$15,023 were paid for a subfinder system to obtain substitute teachers for the School Corporation. This system was for the benefit of the entire School Corporation. There was no documentation that the cost was necessary and reasonable for the performance and administration of the Teacher Quality grant.
3. A \$90,000 transfer to pay a contract was recorded as a disbursement from the Teacher Quality grant. The contract indicated that \$66,896 was to be paid out of the Teacher Quality grant. There was no documentation that the remaining \$23,104 was an allowable activity or an allowable cost of the grant.
4. The School Corporation paid \$556 for toner for the Human Resources Department; \$1,369 for messenger online communications for the School Corporation as a whole; and \$245 for logoed name badges without documentation to demonstrate that they were allowable activities or that they were necessary and reasonable costs for the performance and administration of the grant.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

5. The School Corporation paid \$106,404 in salaries without supporting documentation of personnel activity reports (such as time records, supplemental pay agreements, time and effort logs, or Semi-Annual Certifications). This limited the scope of testing. Additionally, time records which were provided did not support \$54,346 of salaries paid by the Teacher Quality grant.

**SIG:**

1. The School Corporation used a travel company to plan and purchase airline tickets, hotel accommodations, and ground transportation for travel costs paid by the grant. The travel company provided an invoice, but there were no details. No supporting documentation or details as to what companies were used for the lodging and transportation costs or how the costs charged were determined. Additionally, the payments lacked supporting documentation to validate that each employee for whom travel costs were paid had actually traveled. Therefore, it could not be determined if the \$102,885 of travel costs were allowable for the grant.
2. Employees were paid per diem for a conference in Las Vegas. However, no documentation for attendance at the conference was attached to the claims for payment. The flight and hotel purchases were paid by a travel company. No flight records or hotel receipts were attached which would have supported the employees' attendance and eligibility for the per diem. Therefore, it could not be determined if the \$4,050 of per diem costs were allowable for the grant.
3. The amounts paid for school bus transportation did not agree with the prices approved in the contract in some instances. No detailed invoice was attached for some field trip expenses which should have included the date, time, and location of the trip. Therefore, it could not be determined if \$28,336 of transportation costs were allowable for the grant.
4. The School Corporation entered into a professional services contract. The documentation provided with the contract did not specify that the SIG grant would pay for any portion of the contract. The grant budget did not note amounts to be paid for this contract. It could not be determined how the amounts paid from this grant were determined; and therefore, it could not be determined if \$48,898 of professional services were allowable for the grant.
5. The School Corporation paid \$2,959 for school uniforms. It could not be determined if this was allowable for the SIG grant. Additionally, a signed contract with the vendor was not provided for audit.
6. The School Corporation paid \$10,667 for professional development. Supporting documentation and an approved contract were not presented; therefore, it could not be determined if it was allowable for the grant.
7. The School Corporation paid \$75,123 in salaries without supporting documentation of personnel activity reports (such as time records, supplemental pay agreements, time and effort logs, or Semi-Annual Certifications). This limited the scope of testing. Additionally, time records which were provided did not support \$25,149 SIG grant.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Matching, Level of Effort, Earmarking - Level of Effort - Supplement Not Supplant*

Disbursements charged to Title I grant funds were not made in compliance with the Level of Effort - Supplement Not Supplant requirements. These disbursements included copier lease payments and related copier supplies of \$75,024, and classroom material and office supplies of \$20,938 which totaled \$95,962. Title I grant funds were used in lieu of (supplanted) other appropriate nonfederal funds. These questioned costs were also included in the questioned costs listed above under Title I Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

*Context*

The lack of personnel activity reports (such as time records, supplemental pay agreements, time and effort logs, or Semi-Annual Certifications) and the payments without adequate supporting documentation were systemic problems.

*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). . . ."

OMB Circular A-87, Attachment A, Part C. states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular. . . .
  - j. Be adequately documented.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:
  - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
  - b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
  - c. Market prices for comparable goods or services.
  - d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Department of Education Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part:

"Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month.

If a school-wide program consolidates funds in a single account, an employee paid with funds from the single account is not required to file a semi-annual certification. If a school-wide program does not consolidate funds, employees working solely on a single Federal program must complete semi-annual certifications.

If a school-wide program does not consolidate funds, employees working on multiple programs must maintain a time and effort log at least once a month. . . ."

The Indiana Department of Education Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part:

". . . The intent of Title I [including Basic, Part D, 1003(a) and 1003(g)] is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education.

Title I provides funds to improve achievement of the lowest-achieving students - those who are failing, or most at-risk of failing, to meet State academic content standards - enrolled in high-poverty schools.

All activities supported with Title I funding must support that intent - funds are meant to be used for staff and programs aimed at helping students achieve. Thus, ALL expenditures must be focused on raising achievement."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Elementary & Secondary Education Act (ESEA) Section 1114(a)(2) states in part:

". . . (B) SUPPLEMENTAL FUNDS- A school participating in a schoolwide program shall use funds available to carry out this section only to supplement the amount of funds that would, in the absence of funds under this part, be made available from non-Federal sources for the school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency."

*Cause*

The School Corporation had not developed or implemented a system of internal controls that would have ensured that adequate supporting documentation, including personnel activity reports (such as time records, supplemental pay agreements, time and effort logs, or Semi-Annual Certifications) for payroll, was maintained to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Matching, Level of Effort, Earmarking compliance requirements.

*Effect*

The failure to retain supporting documentation prevented the determination of the School Corporation's compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Matching, Level of Effort, Earmarking compliance requirements.

*Questioned Costs*

Questioned costs which totaled \$5,182,428 consisted of known questioned costs of \$559,829 and projected likely questioned costs of \$4,622,599 for the Title I grants.

Questioned costs which totaled \$305,329 consisted of known questioned costs of \$241,929 and projected likely questioned costs of \$63,400 for the Teacher Quality grants.

Questioned costs which totaled \$1,569,342 consisted of known questioned costs of \$298,067 and projected likely questioned costs of \$1,271,275 for the SIG grants.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Activities Allowed or Unallowed; Allowable Costs/Cost Principles, and Matching, Level of Effort, Earmarking compliance requirements.

*Views of Responsible Officials*

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-009***

Subject: Title I Grants to Local Educational Agencies, Improving Teacher Quality  
State Grants, School Improvement Grants - Cash Management, Reporting

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Improving Teacher  
Quality State Grants, School Improvement Grants

CFDA Numbers: 84.010, 84.367, 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 16-4690,  
12-4690, 13-4690, FY 2014,  
FY 2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Significant Deficiency, Other Matters

*Repeat Finding*

This is a partial repeat of Finding 2014-006 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Cash Management and Reporting compliance requirements.

The School Corporation had not established controls to ensure that requests for reimbursement (reports) were supported by adequate documentation. The School Corporation did not maintain supporting detailed documentation to verify the amounts requested on the reports. The documentation used to prepare the reports and that was provided for audit, was maintained at a summary level. Although the reports were reviewed and approved by an official other than the preparer, the documentation did not provide the reviewer with sufficient detail to effectively review and verify the reports submitted by the School Corporation.

Although requested for audit, the School Corporation was unable to provide the detail necessary to support the amounts requested for most of the reports tested. Alternate records and procedures were used to compute and materially verify the amounts submitted for reimbursement. Although the amounts were not considered material to the grant, there was one instance in each of the Improving Teacher Quality State Grants and the School Improvement Grants grants where the School Corporation requested reimbursements in excess of the amounts expended. The School Corporation corrected these by reducing future reports.

*Context*

The lack of controls and failure to maintain adequate supporting documentation were systemic problems throughout the audit period for all reports tested.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Cash Management and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled 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.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management 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 2016-010**

Subject: Title I Grants to Local Educational Agencies - Eligibility  
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): 14-4690, 15-4690, 16-4690  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Significant Deficiency

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The grant application was prepared and submitted by the Executive Director of The Office of Innovations and Improvement. Evidence of a review or approval over the eligibility summary prepared in the grant application for the 2015-2016 school year was not retained or presented for audit.

*Context*

This was an isolated instance for the 2015-2016 school year.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Eligibility compliance requirement.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 to ensure compliance with the Eligibility compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-011**

Subject: Title I Grants to Local Educational Agencies, Improving  
Teacher Quality State Grants - Level of Effort, Reporting  
Federal Agency: Department of Education  
Federal Programs: Title I Grants to Local Educational Agencies,  
Improving Teacher Quality State Grants  
CFDA Numbers: 84.010, 84.367  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 16-4690,  
12-4690, 13-4690  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-006 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement and the Reporting compliance requirement.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Level of Effort - Maintenance of Effort; Reporting - Special Reporting  
(Title I Grants to Local Educational Agencies only)*

The prior audit finding noted that the Form 9 for the period July 1, 2013 to December 31, 2013, submitted by the School Corporation was inaccurate. The School Corporation did not record the adjustment to their computerized accounting system, and the Form 9 reports, until an effective date of December 31, 2014, which was in the next fiscal year. Since the adjustment occurred in a different fiscal year, the issue was carried forward to the current audit period. The error correction resulted in the Indiana Department of Education (IDOE) receiving Form 9 information for the period ending December 31, 2014, which did not reflect the actual financial activity of the period being reported.

Due to the financial condition of the School Corporation, a \$15,000,000 loan approved by the Distressed Unit Appeal Board was received by the School Corporation. This loan was to be used for payments to critical vendors. The financial activity was recorded in a separate fund in the accounting system and the Form 9 reports. Many of these disbursements historically would have been paid from the General fund of the School Corporation. Although the recording of the activity in a separate fund was necessary to document the loan activity, many disbursements normally captured and used by the IDOE for the MOE calculation and Special Reporting purposes were not included.

*Context*

The noncompliance was a systemic issue 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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant . . . "

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 299.5(a) states:

*"General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 Matching, Level of Effort, Earmarking 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.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-012***

Subject: Title I Grants to Local Educational Agencies, Improving Teacher  
Quality State Grants, School Improvement Grants - Period of  
Availability, Reporting

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Improving  
Teacher Quality State Grants, School Improvement Grants

CFDA Numbers: 84.010, 84.377, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 12-4690,  
13-4690; FY 2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Period of Availability, Reporting

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a partial repeat of Findings 2014-006 and 2014-008 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Period of Availability and Reporting compliance requirements.

*Period of Availability*

The School Corporation failed to comply with the Period of Availability compliance requirement that all obligations for expenditures made from program funds were incurred and expended within the period of availability. The obligation and payment of the claims did not occur within the period of availability for transactions charged and recorded in the computerized accounting system subsequent to the period of availability.

For the Title I Grants to Local Educational Agencies (Title I), the underlying obligation for \$115,612 of disbursements tested did not occur within the period of availability.

For the Improving Teacher Quality State Grants (Teacher Quality), the underlying obligation for \$52,511 of disbursements tested did not occur within the period of availability. Adjustments of \$26,332 tested occurred after the period of availability.

For the School Improvement Grants (SIG), the underlying obligation for \$396,193 of disbursements recorded after the period of availability did not occur within the period of availability.

*Reporting (Title I only)*

The Title I Annual Expenditure Reports included disbursements which did not occur within the period of availability. The reports also included items disbursed after the due date of the report, causing the activity reported to be inaccurate for the period of the grant.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The School Corporation's failure to comply with the Period of Availability compliance requirement was a systemic problem. For Title I, 100 percent of the payments tested which were recorded after the period of availability were not obligated within the period of availability. For Teacher Quality, 78 percent of payments initially tested were not obligated within the period of availability; testing was expanded to include all transactions charged subsequent to the period of availability. For School Improvement Grants, 99 percent of payments recorded after the period of availability were not obligated within the period of availability.

*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 80.23 states:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Title I Fiscal Handbook 2014-2015, Basic Title I, Part A and D, ARRA, School Improvement - 1003(a) and 1003(g) states in part:

- "OBLIGATION OF FUNDS

An **obligation** is an actual cost owed due to purchase orders issued, contracts signed, or services rendered for which a district is required to make payment. Obligations are not anticipated or estimated costs. . . . Funds must be expended by September 30 to comply with the 15 percent limitation on carryover funds. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Availability and Reporting compliance requirements.

*Effect*

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

*Questioned Costs*

Questioned costs which totaled \$1,900,813 consisted of known questioned costs of \$115,612 and projected likely questioned costs of \$1,785,201 related to Title I.

Questioned costs which totaled \$126,793 consisted of known questioned costs of \$78,843 and projected likely questioned costs of \$47,950 related to Teacher Quality.

The total known questioned costs identified for the SIG was \$396,193.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Period of Availability 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.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2016-013**

Subject: School Improvement Grants - Procurement  
Federal Agency: Department of Education  
Federal Program: School Improvement Grants  
CFDA Number: 84.377  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

When the School Corporation obtained proposals, quotes or bids for a purchase of goods or services, notes were entered in the requisition area of the computerized accounting software system. Requisitions were required by the School Corporation in order to create a purchase order for a purchase. A list of proposals or quotes, when received, were not noted in the notes to the requisition in four instances tested.

Three travel service claims tested did not contain any notation of proposals or quotes in the computerized notes to the requisition. One claim for school uniform purchases did not have a requisition as it did not have a purchase order. It could not be determined if proposals had been received since it was not noted in computerized accounting software system. The School Corporation did not provide proposals or quotes for these supplies and services purchased.

*Context*

Isolated instances of noncompliance occurred during 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. . . ."

34 CFR section 80.36 states in part:

". . . (b) *Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

. . .

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Administrative Procedure of Board Policy 618 states in part:

"Purchases \$1,000 - \$24,999 - Staff may purchase supplies and services per the following procedure and order

- School warehouse
- Board approved bid awards
- Two quotes Gary based business and one quote from open market
- 10% Local vendor preference will be applied

Notes: If not purchased in the Gary Based Business Directory, then it shall be noted in the 'Notes' section of the requisition.

The Board of School Trustees will ratify purchases made in the above category.

*FORMAL QUOTATIONS*

LARGE PURCHASES

- Purchases \$25,000 - \$74,999 - The originator of a purchase must notify the purchasing agent. The purchasing agent and the user department must develop written specifications and solicit three (3) quotes. A copy of the written specifications must be mailed or faxed not less than seven (7) days before the time fixed for receiving quotes. The following procedure must be followed:
  - Staff must develop written specification and solicit 3 quotes from suppliers known to deal in the line or class of supplies/services.
  - Two quotes Gary based business one quote from open market
  - 5% Local vendor preference will be applied
  - Purchase orders under this section shall not be released without board approval."

*Cause*

The School Corporation had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-014**

Subject: Title I Grants to Local Educational Agencies, Improving Teacher Quality State Grants, School Improvement Grants - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Improving Teacher Quality State Grants, School Improvement Grants

CFDA Numbers: 84.010, 84.367, 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 16-4690, 12-4690, 13-4690, FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Scope Limitation/Modified opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

All of the Kindergarten through 12<sup>th</sup> grade schools within the School Corporation qualified to operate a schoolwide program. The School Corporation did not maintain required documentation to verify compliance with the requirements for operating a schoolwide program as follows:

1. The School Corporation was unable to provide a Schoolwide Plan for one of the schools tested.
2. Five of the six schools that were tested were unable to provide documentation to show that an annual evaluation was performed.
3. Two of the schools tested had incomplete School Improvement Plans. Of the five required components for schoolwide plans, these schools addressed only two or three of the components.

*Context*

The lack of controls and adequate supporting documentation and required plans were systemic problems throughout the audit period.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 200.26 states in part:

"(a) *Comprehensive needs assessment.*

- (1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—
  - (i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—
    - (A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and
    - (B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and
  - (ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.
- (2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.
- (3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

(c) *Evaluation.* A school operating a schoolwide program must—

- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement; . . ."

34 CFR 200.28 states in part:

"A schoolwide program must include the following components:

- (a) *Schoolwide reform strategies.* The schoolwide program must incorporate reform strategies in the overall instructional program. . . .
- (b) *Instruction by highly qualified teachers.* A schoolwide program must ensure instruction by highly qualified teachers and provide ongoing professional development. . . .
- (c) *Parental involvement.* (1) A schoolwide program must involve parents in the planning, review, and improvement of the schoolwide program plan. . . .
- (d) *Additional support.* A schoolwide program school must include activities to ensure that students who experience difficulty attaining the proficient or advanced levels of academic achievement standards required by § 200.1 will be provided with effective, timely additional support, including measures to—
  - (1) Ensure that those students' difficulties are identified on a timely basis; and
  - (2) Provide sufficient information on which to base effective assistance to those students.
- (e) *Transition.* A schoolwide program in an elementary school must include plans for assisting preschool students in the successful transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a preschool program under IDEA or a State-run preschool program, to the schoolwide program."

*Cause*

The School Corporation had not established a system of internal control that would have ensured that the required plans and supporting documentation were complete and maintained for audit to ensure compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Effect*

The failure to provide complete plans and adequate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that adequate documentation is maintained to ensure compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-015**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4690, 15-4690, 16-4690  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2014-009 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation reported 19 students as missing without the documentation required for classifying a student as missing. Four additional students were removed from the cohort without the proper supporting documentation; reasons for removal included being enrolled less than one year, removal by a parent, and removal for transfer.

*Context*

We tested 88 of the 250 students listed on the 2015 and 2016 Graduation Cohort Status Report as mobile. Of the 88 students tested, 23 students did not have the required supporting documentation to substantiate removing them from the cohort for mobility reasons.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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. . . .

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(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—

(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 that would have ensured 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.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-016***

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability  
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): 14-4690, 15-4690, 16-4690  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Comparability  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-010 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

The School Corporation did not have a review or oversight process to ensure that the comparability report was accurately prepared. One person prepared and submitted the Comparability report. There was no segregation of duties, such as an oversight, review, or approval process.

The School Corporation did not have a policy to ensure equivalence among schools in teachers, administrators, and other staff; or a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. Policies available through the School Corporation's website did not include a policy which would have covered the Comparability compliance requirement.

*Context*

This was a systemic problem. The School Corporation failed to comply 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). . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

20 US Code § 6321(c)(2)(A) states:

"A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented—

- (i) a local educational agency-wide salary schedule;
- (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
- (iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies."

20 US Code § 6321(c)(3) states:

"Each local educational agency assisted under this part shall—

- (A) develop procedures for compliance with this subsection; and
- (B) maintain records that are updated biennially documenting such agency's compliance with this subsection."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Comparability compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 - Comparability compliance requirement.

*Views of Responsible Officials*

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-017***

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-019-PN01, 14215-019-PN01,  
14216-017-PN01, 45714-019-PN01,  
45715-019-PN01, 45716-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a partial repeat of Finding 2014-005 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Allowable Costs/Cost Principles compliance requirement.

The following disbursements charged to the Special Education Cluster (IDEA) grant funds did not comply with the Allowable Costs/Cost Principles compliance requirement:

1. The School Corporation paid \$35,929 for Medicaid claim processing fees that were not necessary and reasonable costs for the performance and administration of the grant.
2. The Director of Accountability's salary was paid 70 percent from the Special Education grant fund and 30 percent from Title I grant fund, based upon a predetermined allocation. However, the documentation of personnel expenses was not maintained to support the amounts recorded in each grant fund. Based upon the documentation of personnel expenses, \$13,286 of payroll and related costs for the Director of Accountability was over-allocated to the Special Education\_Grants to States 14216-017-PN01.
3. The Administrative Assistant to the Executive Director of Special Education was paid a stipend for additional duties regarding Parent Outreach. The stipend was in addition to any normal and overtime biweekly pay. The supplemental pay sheets provided to support the payment of the stipend did not adequately document the duties that were performed beyond the normal duties. The supplemental pay sheets did not consistently document the hours worked beyond the employee's normal work hours and were consistently approved before the employee had worked all of the hours documented. Furthermore, the supplemental pay stipend and overtime rate, totaling \$26,677 were not approved by the School Board.
4. An employee was paid \$50 per diem for a conference that took place April 12 through April 16, 2016. The hotel documentation indicated that the employee only stayed through April 15, 2016. Supporting documentation was not provided to support the \$50 payment for April 16, 2016.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Director of Special Education was paid \$50 per diem to attend a conference. The Director was also reimbursed \$9 for hotel restaurant charges. Since the Director was already provided a per diem for the day, the reimbursement of the hotel restaurant charges should not have occurred.

*Context*

The lack of controls and the noncompliance were systemic problems 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). . . ."

OMB Circular A-87, Attachment A, Part C. states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . ."

OMB Circular A-87, Attachment B, section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . ."

*Cause*

The School Corporation had not established a proper and effective internal control structure that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled 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*

Questioned costs which totaled \$219,314 consisted of known questioned costs of \$75,951 as detailed in the *Condition* and projected likely questioned costs of \$143,363.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-018***

Subject: Special Education Cluster (IDEA) - Cash Management, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-019-PN01, 14215-019-PN01,  
14216-017-PN01, 45714-019-PN01,  
45715-019-PN01, 45716-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a partial repeat of Findings 2014-005 and 2014-006 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Cash Management and Reporting compliance requirements.

The Special Education Administrative Assistant prepared and submitted the reimbursement requests (reports of grant disbursements). The supporting documentation used to prepare the reimbursement requests was not retained. In a comparison of the amounts requested for reimbursement to the disbursements recorded in the School Corporation's ledger, the requested amounts either exceeded or were less than actual disbursements in most instances. There were also two instances when the same expenditures were included on multiple reimbursement requests and were reimbursed twice.

*Context*

This was a systemic problem throughout the audit period. Of the 40 reimbursement requests tested, 39 of the requests did not agree with the detail ledgers. Of the 39 deviations, 20 requests exceeded actual disbursements and 19 requests were less than actual disbursements.

*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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out funds for Federal assistance program purposes."

34 CFR 74.22 states in part:

". . . (e)(1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f) . . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

*Cause*

The School Corporation had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 Cash Management and Reporting requirements.

*Views of Responsible Officials*

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

**FINDING 2016-019**

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-019-PN01, 14215-019-PN01,  
14216-017-PN01, 45714-019-PN01,  
45715-019-PN01, 45716-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Scope Limitation/Modified Opinion

*Repeat Finding*

This is a partial repeat of Finding 2014-013 from the immediate prior audit year.

*Condition*

The School Corporation had not established an internal control system related to the grant agreements and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

One individual prepared the maintenance of effort report without a proper system of oversight or review.

Amounts reported for maintenance of effort were not supported by the School Corporation's records. For the school year ended June 30, 2015, the amounts reported did not agree with the spreadsheet provided as supporting documentation. For the school year ended June 30, 2016, supporting documentation for the amounts reported was not provided. In addition, the School Corporation's calculations included an amount for payroll fringe benefits based upon 25 percent of the gross payroll expenditures instead of the actual costs expended for both school years in the audit period.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Since the amounts reported could not be verified, testing of the level of effort - maintenance of effort requirements for the school years ended June 30, 2015 and 2016, could not be performed.

*Context*

This was a systemic problem throughout the audit period. Controls were not properly designed to ensure compliance with the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement. In addition, the amounts reported for maintenance of effort were not supported by the School Corporation's records.

*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 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

2 CFR 200.333 states in part:

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

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

(a) The amount of funds under the grant or subgrant;

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

*Cause*

The School Corporation had not established a proper internal control structure that would have ensured that documentation was maintained and available for audit related to the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained and available for audit related to the Matching, Level of Effort, Earmarking compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-020**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-019-PN01, 14215-019-PN01,  
14216-017-PN01, 45714-019-PN01,  
45715-019-PN01, 45716-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Scope Limitation/Modified Opinion

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a partial repeat of Findings 2014-005 and 2014-006 from the immediate prior audit year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Reporting compliance requirement.

The December 1 Child Count, Data Collection, and the Final Expenditure reports were prepared by one individual without a proper system of oversight or review.

*December 1 Child Count and Data Collection Reports*

Supporting documentation was not retained for the December 1 Child Count or Data Collection reports. Because of this, the accuracy of the reports that were submitted during the audit period could not be verified.

*Final Expenditure Report*

The Final Expenditure Reports submitted were based on financial records which commingled grant and non-grant activity. Because of this, the accuracy of the Final Expenditure Reports submitted during the audit period could not be verified.

*Context*

This was a systemic problem. A proper system of oversight or review was not established. Adequate supporting documentation was not maintained to support the reports submitted during 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). . . ."

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

2 CFR 200.333 states in part:

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

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

*Cause*

The School Corporation had not established a proper internal control structure that would have ensured that documentation was maintained and available for audit related to the Reporting compliance requirement.

*Effect*

The failure to retain and provide appropriate supporting documentation, and to properly account for grant activity, prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained and available for audit related to the Reporting compliance requirement.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-004**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-005**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-006**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-007**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-008**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-009**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-010**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-011**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-012**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-013**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-014**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley  
Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-015**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



# Gary Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-016**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Peggy Hinckley

Contact Phone Number: 219.886.6400

#### Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed in the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic but also operational deficiencies across the Corporation. The Emergency Manager is supported by a team of academic, fiscal and operational experts who are effectively managing the Corporation and running day-to-day operations.

Prior to the appointment of the Emergency Manger, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager. The Fiscal Manager had responsibility, but limited authority over financial activities and decisions including responses to audit findings.

The Fiscal Manager was terminated effective August 10, 2017. Additionally, over the past year the Corporation has experienced significant turnover in administrative and management personnel. Related to the turnover in personnel is difficulty finding essential Corporation records and documents including documents related to prior audit findings.

The Emergency Manager and associated Team are in the process of assessing, evaluating, documenting and addressing many structural and organization issues associated with the Corporation including prior audit findings. The Emergency Manager and team will provide an action plan related to this audit finding in approximately 60-90 days.

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

8-19-17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**CORRECTIVE ACTION PLAN**

***FINDING 2016-001***

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: Regarding cash and investment balances held in the payroll account, the supervisor of accounting has begun making improvements as suggested by the State Board of Accounts. The payroll bank account was not reconciled in the prior audit period or between July 2014 and April 2015 of the current audit period. In good faith, the supervisor of accounting opened a new payroll account in May 2015. The supervisor of accounting began completing bank reconcilements and maintaining an outstanding checklist.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-002**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-003**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure the accuracy of the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-004**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the activities allowed compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-005**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding. In addition, as noted in the auditors' findings, the School Corporation entered into an agreement with Sodexo beginning with the 15-16 school year. Sodexo is responsible for all employees of the food service program, including the hiring of new employees. Therefore, partial corrective action has occurred with respect to the provision of payroll documentation and accuracy of costs charged to the Child Nutrition programs.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the allowable costs/cost principles compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-006**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the cash management compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-007**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the reporting and special tests and provisions compliance requirements.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-008**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Time-effort logs and semi annual certification oversight will be established. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the activities allowed, allowable costs, and level of effort compliance requirements.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-009**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the cash management and reporting compliance requirements.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-010**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the eligibility compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

**OFFICE OF THE EMERGENCY MANAGER**  
**Dr. Peggy Hinckley, Emergency Manager**  
phinckley@garycsc.k12.in.us

**FINDING 2016-011**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement, specifically reporting and the matching, level of effort, and earmarking compliance requirements.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**FINDING 2016-012**

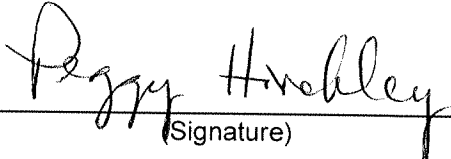
Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

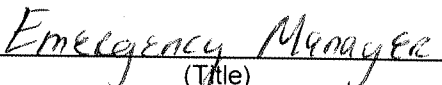
Views of Responsible Official: We concur with the finding.

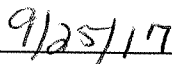
Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the period of availability and reporting compliance requirements.

Anticipated Completion Date: - January 2018

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_



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**Dr. Peggy Hinckley, Emergency Manager**  
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(Date)

**FINDING 2016-013**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**FINDING 2016-014**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the special tests and provisions compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**OFFICE OF THE EMERGENCY MANAGER**  
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**FINDING 2016-015**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the special tests and provisions compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**OFFICE OF THE EMERGENCY MANAGER**  
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**FINDING 2016-016**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the special tests and provisions compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**FINDING 2016-017**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the allowable costs/cost principles compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**OFFICE OF THE EMERGENCY MANAGER**  
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**FINDING 2016-018**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the cash management and reporting compliance requirements.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



1988 Polk Street  
Gary, IN 46407 (219) 886-6400

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**FINDING 2016-019**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the level of effort compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)



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**FINDING 2016-020**

Contact Person Responsible for Corrective Action: Emergency Management Team  
Contact Phone Number: 219-881-5401

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Senate Bill 567 passed and signed by Governor Holcomb in April 2017.

Gary Community Schools Revitalization: To set Gary Community Schools on a path towards success and economic recovery, Senate Bill 567 designated Gary Community School Corporation as a distressed political subdivision. The bill calls for an emergency management team, who will help to stabilize the corporation. The emergency management team is charged with creating a plan of action where local officials, school board members, an emergency manager, and the state's Distressed Unit Appeals Board (DUAB) will work together to create a recovery plan and policies for more efficient and effective business and HR practices, which will include developing controls to ensure adherence to federal grant compliance requirements. Personnel will be required to follow implemented internal control procedures related to the grant agreement and the reporting compliance requirement.

Anticipated Completion Date: - January 2018

Peggy Hinckley  
(Signature)

Emergency Manager  
(Title)

9/25/17  
(Date)

#### OTHER REPORTS

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