

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTAGE TOWNSHIP SCHOOLS

PORTER COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
04/11/2018

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Federal Findings: | |
| Finding 2017-001 | |
| Child Nutrition Cluster - Cash Management | 4-5 |
| Finding 2017-002 | |
| Special Education Cluster (IDEA) - Level of Effort and Reporting..... | 5-7 |
| Finding 2017-003 | |
| Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate and Special Tests and Provisions - Assessment System Security..... | 7-9 |
| Corrective Action Plan..... | 10-13 |
| Exit Conference..... | 14 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------------------|--|
| Director of Finance/Treasurer | Wendy Kulczyk | 07-01-15 to 06-30-18 |
| Superintendent of Schools | Richard Weigel Dr. Amanda Alaniz | 07-01-15 to 12-07-16 12-08-16 to 06-30-18 |
| President of the School Board | Cheryl Oprisko Andy Maletta | 01-01-15 to 12-31-15 01-01-16 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE PORTAGE TOWNSHIP SCHOOLS, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Portage Township Schools (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

March 19, 2018

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - 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 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-002.

Condition

The School Corporation had not properly designed or implemented an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The Food Service Director worked with the Finance Department to compile a year-to-date performance of budget funds spreadsheet. The revenues, expenditures, cash balance, and fund balance were tracked on this spreadsheet, which was given to the School Board for approval. However, the School Corporation did not document that the unit properly tracked its School Lunch fund cash balance (net cash resources) to ensure that the balance did not exceed three months average expenditures.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The net cash resources in the School Lunch fund exceeded the three month average expenditures for all 24 months of the audit period. The average excess balances were \$994,104 and \$1,021,788 for the 2015-2016 and 2016-2017 fiscal years, respectively.

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). . . ."

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(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

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 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 2017-002

Subject: Special Education Cluster (IDEA) - Level of Effort and 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): 99914-050-TA01, 14214-050-PN01,
14215-050-PN01, 14216-050-PN01,
14217-050-PN01, 45716-050-PN01,
45717-050-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit regarding the Matching, Level of Effort, Earmarking compliance requirement. The prior audit finding number was 2015-003.

Condition

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

Level of Effort

The School Corporation was a member of a local cooperative, which administered the special education grant. The cooperative calculated the level of effort for each of its member school corporations. Those calculations were sent to each member school corporation for review and approval. The School Corporation did not document its review and approval of the level of effort calculation.

Reporting

The School Corporation did not document proper internal controls over reporting. Two of the three Data Collection reports (Termination Report and Expulsion & Suspension Report) submitted by the School Corporation were submitted without evidence of a review.

Context

This was a systemic issue as it affected both level of effort calculations and two of the three data collection reports for both years of the audit.

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). . . ."

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions related to the Level of Effort requirements of the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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.

FINDING 2017-003

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

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): FY 14-15, FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Annual Report Card, High School
Graduation Rate, Special Tests and Provisions - Assessment
System Security

Audit Finding: Material Weakness

Condition

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

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation had not established effective internal controls to ensure that a student withdrawn from the cohort was properly reviewed. The School Corporation used withdrawal forms for the students who were removed from a given cohort. The forms were signed by the respective guardian, but were not signed by an administrator of the School Corporation.

Special Tests and Provisions - Assessment System Security

The School Corporation failed to establish effective internal controls to ensure anyone handling the test materials had been properly trained to do so. The School Corporation provided two training seminars in each school year. If an employee was off work or on leave during those seminars, the School Corporation failed to document that the employee received the training upon returning to work.

Context

The lack of internal controls 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). . . ."

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions related to the Special Tests and Provisions - Annual Report Card, High School Graduation Rate and Special Tests and Provisions - Assessment System Security compliance requirements.

Effect

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

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

Mrs. Amanda Alaniz, Ed.D
Superintendent of Schools
Dr. Michael Stephens
Assistant Superintendent
Linda Williams
Director of Title and Special
Student Programs
Wendy Kulczyk
Director of Finance

PORTAGE TOWNSHIP SCHOOLS

6240 U.S. Highway 6
Phone (219) 762-6511

Portage, Indiana 46368-5057
FAX (219) 763-8009

Board Of School
Trustees

Jessica Bailey
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko
Wilma Vazquez

Our Mission is educating, empowering and
inspiring excellence

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Lisa Hayes
Contact Phone Number: (219) 763-8008

The Portage Township Food Service Department concurs with the finding that the cash balance exceeds the three-month operating expense threshold.

Description of Corrective Action Plan:

The corrective action plan for this finding will involve the total remodel to the kitchen and cafeteria at Portage High School East. This project has become a bigger and thus a more expensive project. The original project plan originally was to update the serving lines; however, after more thought, this would not solve the student flow or redundancy issue. It would also not solve the space issue that would eventually have to be readdressed.

The revised project involves the redesign of the entire kitchen and layout. The redesign of the high school kitchen, serving lines and cafeteria is projected to cost close to one million dollars. The excess operating funds will be needed to be saved so that Food Service can pay for the entire remodel and not use General Funds. A consultant service will have to be hired for the scope of this project and initial planning will commence Summer 2018 for a Summer 2019 completion.

Anticipated Completion Date: Summer 2019

Lisa Hayes Signature
Director Title
3/9/18 Date

Mrs. Amanda Alaniz, Ed.D
Superintendent of Schools
Dr. Michael Stephens
Assistant Superintendent
Linda Williams
Director of Title and Special
Student Programs
Wendy Kulczyk
Director of Finance

PORTAGE TOWNSHIP SCHOOLS

6240 U.S. Highway 6
Phone (219) 762-6511

Portage, Indiana 46368-5057
FAX (219) 763-8009

Board Of School
Trustees

Jessica Bailey
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko
Wilma Vazquez

Our Mission is educating, empowering and
inspiring excellence

FINDING 2017-002

Contact Person Responsible for Corrective Action: Wendy Kulczyk 219-764-6008

Views of Responsible Official: We concur with the finding regarding lack of internal controls regarding level of effort and reporting requirements concerning two Data Collection reports (Termination Report, Expulsion & Suspension Report) that were submitted without evidence of a review.

Description of Corrective Action Plan concerning Level of Effort: A procedure was established by which the Porter County Education Service Center (PCES) accounting personnel calculate MOE and provide the calculation and summary data to each member school corporation for review. Evidence of the member district's review is done by return e-mail acknowledgement to PCES.

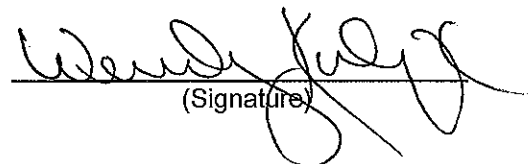
Description of Corrective Action Plan concerning Reporting:

The school corporation has reviewed Board Policy 5610.02, In School Discipline, and 5610, Suspension and Expulsion. As a result of the review, we determined that the accompanying forms will be re-introduced to building administrators. Once forms are completed, they will be signed by the building administrator. The original form will then be stored in the student's cumulative file, and a copy will be sent to Central Office.

Upon review, it was learned that the Termination Report can be found on each individual student's IEP when services have been terminated due to circumstances such as parent refusal, or when it has been determined that the student no longer requires services. This IEP is signed by multiple people, to include the building administrator. That information is then summarized by the Special Education Interlocal Cooperative, and sent to Portage Township Schools for entry into the State Reporting Site, STN. A screenshot of the online report will be printed, and then signed by both a Portage Township Schools representative and a Special Education Interlocal Cooperative office. Once reported, any entry that is flagged will then be returned to the Coop for justification and correction.

Anticipated Completion Date:

This new procedure will be in effect starting April 9, 2018.


(Signature)

Mrs. Amanda Alaniz, Ed.D
Superintendent of Schools
Dr. Michael Stephens
Assistant Superintendent
Linda Williams
Director of Title and Special
Student Programs
Wendy Kulczyk
Director of Finance

PORTAGE TOWNSHIP SCHOOLS

6240 U.S. Highway 6
Phone (219) 762-6511

Portage, Indiana 46368-5057
FAX (219) 763-8009

Board Of School
Trustees

Jessica Bailey
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko
Wilma Vazquez

Our Mission is educating, empowering and
inspiring excellence

CORRECTIVE ACTION PLAN

FINDING 2017-003-Assessment Security System

Contact Person Responsible for Corrective Action: Linda Williams, Director of Title and Special Student Programs 219.764.6209

Views of Responsible Official: We concur with the finding regarding material weakness for Assessment System Security.

Description of Corrective Action Plan:

In order to establish internal controls and ensure that anyone handling test materials have been properly trained to do so, our school corporation will go beyond documenting the two training seminars per year and document further training that employees who are not present at the training seminars receive upon returning to work.

A new Google Sheets document has been prepared entitled "Test Security Checklist". It is located in our PTS Team Drive for Assessment and is accessible to school corporation administrators and building principals. This one document holds a tab for the administration building and for each school building, including SELF School, our special education cooperative building. Each tab lists instructional staff both certified and non-certified who work at the building. In their tab, it is the principal's duty to document three things. 1) Signatures on the Test Security and Integrity Agreement, 2) completion of Test Security Training for both scheduled training events which have sign-in sheets as well as later trainings for those absent, and 3) administering/proctoring each assessment including ISTEP+, ISTAR, IREAD3, WIDA ACCESS, ACCUPLACER, and ECA.

On-going throughout the year, each principal is held responsible to complete the checklist and ultimately signs the document certifying that their checklist is true and accurate. This task is to be completed by one week before the end of the school year, however, throughout the entire school year, the "Test Security Checklist" is monitored by Director Linda Williams to ensure compliance before a test window begins for any given assessment.

With the creation and use of this new Google Sheets document entitled "Test Security Checklist" we believe that our entire test security communication, documentation, and internal controls for all aspects of testing will be greatly improved and satisfy compliance for Assessment System Security.

Anticipated Completion Date:

The Test Security Checklist in Google Sheets is complete and being used for the 2017-2018 school year. This document establishes internal controls and ensures that anyone handling test materials has been properly trained whether they attended the scheduled training events or were trained later upon return to work and is certified by the appropriate administrator and Director Linda Williams.



(Signature)

TOGETHER WE EXCEL!

Mrs. Amanda Alaniz, Ed.D
Superintendent of Schools
Dr. Michael Stephens
Assistant Superintendent
Linda Williams
Director of Title and Special
Student Programs
Wendy Kulczyk
Director of Finance

PORTAGE TOWNSHIP SCHOOLS

6240 U.S. Highway 6
Phone (219) 762-6511

Portage, Indiana 46368-5057
FAX (219) 763-8009

Board Of School
Trustees

Jessica Bailey
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko
Wilma Vazquez

Our Mission is educating, empowering and
inspiring excellence

FINDING 2017-003-Annual Report Card

Contact Person Responsible for Corrective Action: Linda Williams, Director of Title and Special Student Programs 219.764.6209

Views of Responsible Official: We concur with the finding regarding material weakness for the Annual Report Card, which found that school corporation administrators did not consistently sign off on the withdrawal form.

Description of Corrective Action Plan:

The school corporation has reviewed Board Policy 5130, Withdrawal From School Exit Interview. The associated form was also reviewed by the Central Office Team, and will be presented to all building administrators at the next leadership team meeting. The new procedure is as follows: when a student withdraws, the student and parent/guardian will sign. The building principal will then sign the form. The original will be kept in the student's cumulative file, and a copy of the form will be sent to Central Office.

Anticipated Completion Date:

This new procedure will be in effect starting April 9, 2018.



(Signature)

PORTAGE TOWNSHIP SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2018, with Dr. Amanda Alaniz, Superintendent of Schools; Wendy Kulczyk, Director of Finance/Treasurer; Nic Gron, Assistant Director of Finance; Andy Maletta, President of the School Board; Cheryl Oprisko, Vice President of the School Board; and Jessica Bailey, Secretary of the School Board.