

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF HAMMOND

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
05/11/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2017-001	
Child Nutrition Cluster - Procurement .....	4-6
Finding 2017-002	
Title I Grants to Local Educational Agencies - Procurement .....	7-9
Finding 2017-003	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate .....	9-12
Finding 2017-004	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability .....	12-13
Finding 2017-005	
Career and Technical Education - Basic Grants to States - Cash Management, Earmarking, Reporting .....	13-15
Corrective Action Plan .....	16-20
Audit Results and Comments:	
Overdrawn Cash Balances .....	21
Curricular Materials Rental Charges and Educational Fees .....	21-22
Official Response .....	23
Exit Conference .....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Theophilus Boone, Jr.	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Walter J. Watkins	07-01-15 to 06-30-18
President of the School Board	Deborah M. White	07-01-15 to 06-30-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

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

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

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

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

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

April 24, 2018

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Child Nutrition Cluster - Procurement

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 or Years (or Other Identifying Numbers): FY 15-16, FY 16-17,  
FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*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 procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320.

For the 2015-2016 and 2016-2017 fiscal years, the School Corporation extended contracts with vendors for food products, materials, and supplies that were originally awarded in prior years. The original contracts included wording for an option to extend the terms up to four years. The extensions of the contracts were not approved by the School Board.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

*Context*

The lack of effective controls and the noncompliance were systemic issues throughout the audit period. Approximately 59 percent of the School Lunch fund disbursements were vendor procurements.

*Criteria*

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

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

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of 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. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

(4) After solicitation of a number of sources, competition is determined inadequate."

7 CFR 3016.36(b) states: "*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."

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements of the Procurement and Suspension and Debarment 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 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.

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-002***

Subject: Title I Grants to Local Educational Agencies - Procurement  
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): 15-4710, 16-4710, FY 2015,  
S010A150014, S010A160014,  
S010A160014 SIG

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*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 procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have effective internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

*Context*

The lack of effective controls and the noncompliance were systemic issues throughout the audit period. Approximately 15 percent of the total grant fund disbursements were vendor procurements.

*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). . . ."

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of 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."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

34 CFR 80.36(b) states in part:

*"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. . . ."

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements of the Procurement and Suspension and Debarment 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 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 2017-003***

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): 15-4710, 16-4710, FY 2015, S010A150014, S010A160014, S010A160014 SIG

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

*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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective controls to ensure that documentation regarding the reason for a student removed from the high school cohort graduation rate for mobility reasons was prepared, reviewed, and retained.

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirement which necessitated that for the students removed from the high school cohort graduation rate for mobility reasons there was written documentation that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 40 students tested, 28 were not supported by documentation that substantiated their removal from the cohort for mobility reasons.

*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.

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

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

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

(2) *Transitional graduation rate.*

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

(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 or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2017-004**

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): 15-4710, 16-4710, FY 2015,  
S010A150014, S010A160014,  
S010A160014 SIG

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Comparability  
Audit Finding: Material Weakness

*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 Special Tests and Provisions - Comparability compliance requirement.

The Comparability Report was compiled and submitted by one individual without evidence of a proper system of oversight or review before submission.

*Context*

The lack of controls was a systemic issue throughout the audit period. The report is filed annually.

*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). . . ."

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Comparability compliance requirement.

*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 requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

**FINDING 2017-005**

Subject: Career and Technical Education - Basic Grants to States -  
Cash Management, Earmarking, Reporting

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers and Years (or Other Identifying Numbers): 15-4700-4710, 16-4700-4710,  
17-4700-4710 V048A160014

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management and Reporting compliance requirements, and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Cash Management and Reporting (Reimbursement Requests)*

The Request for Reimbursement forms were noted as prepared by the Career and Technical Education Specialist and approved by the Grant Director. Although the Reimbursement forms contained the certifications, the Grant Director indicated that the reports were not verified to the proper supporting documentation. Therefore, a proper system of oversight or review was not properly implemented.

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

*Earmarking*

The Career and Technical Education Specialist prepared the final expenditure report, which was reviewed by the Principal. However, evidence of the Principal's review was not documented.

*Context*

The lack of 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's management had not implemented a system of internal controls to ensure compliance with the grant agreement and the Cash Management; 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 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.

SCHOOL CITY OF HAMMOND  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Cash Management; 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.

# School City of Hammond

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

FAX: (219) 554-4504 \* WEB: <http://hammond.k12.in.us>

Dr. Walter J. Watkins, Superintendent



## CORRECTIVE ACTION PLAN

### *FINDING 2017-001*

**Contact Person Responsible for Corrective Action:** Christine Clarahan

**Contact Phone Number:** 219-933-2400 extension 1056

All School Board approved contracts that meet the terms set forth in the original contract for one of the contract extension periods will be put before the School Board for approval.

This was not previously done as the original contract that the School Board approved contained language and terms for contract extension which the Director of Food and Nutrition would execute pending all terms and conditions were met.

Beginning in July 2017 the Director of Food and Nutrition has been keeping procurement binders with the type of procurement method used, the necessary quotes, as well as the decision rationale for department procurement.

**Anticipated Completion Date:** 4/23/2018

A handwritten signature in black ink, appearing to read 'Christine Clarahan', written over a horizontal line.

(Signature)

Director of Food and Nutrition

(Title)

4/23/2018

(Date)

---

### *Board of School Trustees*

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

# School City of Hammond

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



Dr. Walter J. Watkins, Superintendent

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-002***

Contact Person Responsible for Corrective Action: Catherine Danko  
Contact Phone Number: 219.933.2400 ext.1062

We concur with the finding.

Description of Corrective Action Plan:

1. Going forward, the Title One office will obtain price or rate quotes for purchases of goods or services exceeding \$3,500 from an adequate number of sources.
2. It will be noted on the purchase order requisition that quotes were obtained and are on file in the Title One office.
3. If there is only a single source provider available for the purchase of goods or services, that will be noted on the purchase order requisition as well.

Anticipated Completion Date: Effective immediately

Catherine Danko

Catherine Danko

Director of Title One

April 23, 2018

*Board of School Trustees*

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

# School City of Hammond

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



Dr. Walter J. Watkins, Superintendent

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-003***

Contact Person Responsible for Corrective Action: Catherine Danko  
Contact Phone Number: 219.933.2400 ext.1062

We concur with the finding.

Description of Corrective Action Plan:

1. Per Dr. Watkins, Superintendent of Schools, Student Services will develop districtwide procedures for student withdrawals and a system of controls to ensure that all schools are in compliance with the districtwide withdrawal processes.

Anticipated Completion Date: May 25, 2018

Catherine Danko

Catherine Danko

Director of Title One

April 23, 2018

### ***Board of School Trustees***

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

# School City of Hammond

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



Dr. Walter J. Watkins, Superintendent

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-004***

Contact Person Responsible for Corrective Action: Catherine Danko  
Contact Phone Number: 219.933.2400 ext.1062

We concur with the finding.

Description of Corrective Action Plan:

1. After the Comparability Report is completed by Catherine Danko, she will then send it to either the Executive Director of Business Services or the Chief Financial Officer for review and signature.

Anticipated Completion Date: Effective immediately.

Catherine Danko

Catherine Danko

Director of Title One

April 23, 2018

### *Board of School Trustees*

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

# School City of Hammond

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



Dr. Walter J. Watkins, Superintendent

## CORRECTIVE ACTION PLAN

### **FINDING 2017-005**

Contact Person Responsible for Corrective Action:  
Scott E. Miller, CTE Director-District 2/Area Career Center Principal/Carl Perkins Administrator

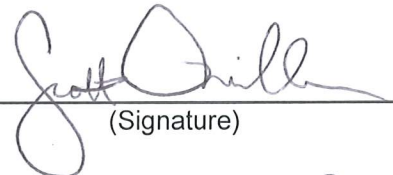
Contact Phone Number: (219) 933-2428 Ext.1910

Views of Responsible Official: The CTE Director/Carl Perkins Administrator concurs with the finding 2017-005 that the Final Expenditure Report did not have the written approval of the authorized Perkins Administrator and only had the written approval of the Superintendent of School City of Hammond, Dr. Watkins. The findings also indicate that the Perkins Administrator Reimbursement forms were not properly reviewed by the Perkins Grant Administrator.

Description of Corrective Action Plan: The CTE Director/Carl Perkins Administrator will indicate the review and approval of the Final Expenditure Report for the Carl Perkins Grant by his or her signature and date, in addition to the signature and date of the Superintendent of School City of Hammond. In addition, the Final Expenditure Report will be presented to the School City of Hammond Office of Business Services for their review.

Before signing the Perkins Reimbursement forms, the grant administrator will verify by his or her signature that the receipts match the Perkins Reimbursement form which also coincide with the Balance by Fund as indicated by the SCH financial system. In addition, this reimbursement will be presented to the School City of Hammond Office of Business Services for their review.

Anticipated Completion Date: 4/26/2018

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

*CTE Director, ACC Principal, Perkins Admin.*  
\_\_\_\_\_  
(Title)

*4/24/18*  
\_\_\_\_\_  
(Date)

### *Board of School Trustees*

Anna Mamala  
Rebecca Ward  
Deborah White  
Cindy Murphy  
George T. Janiec

SCHOOL CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in several prior reports, including the three most recent Reports B40266, B43745, and B46553, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2016 and 2017:

Fund	Amount Overdrawn as of June 30,	
	2016	2017
Capital Projects	\$ 1,142,824	\$ 203,610
Textbook Rental	5,680,824	5,497,248

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

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

**CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES**

The same comment appeared in prior Report B46553, entitled *CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES*.

Curricular materials rental charges and other educational fees for all grades were not adopted by the School Board on an annual basis. They were adopted for the 2009-2010 school year, but only for grades K-8. These charges and fees were still in effect for the 2015-2016 and 2016-2017 school years. It could not be readily determined when the curricular material rental charges and educational fees for the High School had been adopted by the School Board.

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

SCHOOL CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

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

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

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

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

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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

# School City of Hammond

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



Dr. Walter J. Watkins, Superintendent

April 30, 2018

State Board of Accounts  
302 West Washington St.  
Room E 418  
Indianapolis, IN 46204-2765

## OFFICIAL RESPONSE

The financial statement contains some funds with deficits in cash. The Textbook Rental fund deficit arose primarily from disbursements exceeding receipts due to years of low collection from parents. This deficit is to be repaid from future receipts. The 2016 Capital Projects Fund was in the red primarily due to the loss of property taxes revenue caused by the property tax circuit breaker. Also, the District was denied insurance coverage in 2016 to replace the failed boilers at Morton High School and Gavit Middle/High School at a cost of \$2.2 million dollars. Consequently, all 2017 CPF expenses were transferred to the General Fund which helped place the CPF back in the black. We anticipate this matter will not reoccur because next year by state law the CPF, Transportation Fund, Bus Replacement Fund and portions of the General Fund, will be combined into a new operating fund.

A staff employee will be assigned the responsibilities of the establishment of textbook rental rates with the Executive Director of Secondary and Elementary Studies and the Director of Instructional Technology based on our current textbook adoptions. Also, we are looking at the creation of an online book rental system, which would be reconciled at the Central Office. These two changes will ensure the rates are kept current.

Theophilus Boone, Jr.  
Assistant Superintendent & CFO

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### *Board of School Trustees*

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

SCHOOL CITY OF HAMMOND  
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2018, with Theophilus Boone, Jr., Treasurer; Dr. Walter J. Watkins, Superintendent of Schools; Deborah M. White, President of the School Board; George T. Janiec, Secretary of the School Board; and Alesia Y. Pritchett, Executive Director of Business Services.