

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
09/04/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nelson Pena (interim)	07-01-15 to 08-09-15
	Robert Doctor	08-10-15 to 11-29-16
	Nelson Pena (interim)	11-30-16 to 04-12-17
	Lela Simmons	04-13-17 to 12-31-18
Superintendent of Schools	Dr. Youssef Yomtoob	07-01-15 to 06-30-16
	Dr. Paige McNulty	07-01-16 to 12-31-18
President of the School Board	Terence Hill	01-01-15 to 12-31-15
	Joel Rodriguez	01-01-16 to 12-31-16
	Stacy Winfield	01-01-17 to 12-31-17
	Vanessa Hernandez-Orange	01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School City of East Chicago (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/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

June 7, 2018

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

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

School Corporation officials indicated that the SEFA was prepared by the Systems Administrator based on information verified by the Business Office Manager and reviewed by the Chief Financial Officer. However, the internal controls were determined to not be effective since the SEFA contained material errors.

Context

Due to the lack of effective controls, the following errors resulted in an inaccurate and incomplete SEFA:

1. All grants received from the Department of Agriculture were reported under the National School Lunch Program. This resulted in the overstatement of the National School Lunch Program and an understatement of the School Breakfast Program, the Summer Food Service Program for Children, the Child and Adult Care Food Program, the Child Nutrition Discretionary Grants Limited Availability, and the Fresh Fruit and Vegetable Program for each year. Furthermore, the commodities amounts for the National School Lunch Program were not reported separately.
2. The Impact Aid expenditures were omitted.
3. The Medical Assistance Program expenditures were erroneously classified as Maternal and Child Health Services Block Grant to the States.
4. Ten program titles listed were incorrect.
5. Pass-Through Entity (or Other) Identifying Numbers were not listed for any of the federal programs.
6. The 2016-2017 grants reported were identified as being received from an "Unknown Federal Agency."

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

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:

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

"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; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that federal expenditures were properly reported on the SEFA.

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: School Breakfast Program and 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, FY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-008.

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 Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to limit the School Lunch fund cash balances (net cash resources) to three months average expenditures of the food service program.

Context

The lack of controls was a systemic issue throughout the audit period.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Cash Management 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 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 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 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.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

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 and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-012.

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 was required to bid or request proposals for the food service management five year contract beginning fiscal year 2015. The School Board awarded the food management service contract on August 7, 2014. Procurement records were not provided for audit. Therefore, compliance with the procurement requirements could not be verified.

Context

The procurement records not provided for the food management service contract was an isolated instance. Due to the change in the Chief Financial Officer at the School Corporation and the moving of the administration staff and records to a different building, procurement records related to the contract for the food service management company were not provided for audit. The payments to the food management company were 97 percent of the School Lunch 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

(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(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 200.333 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. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support compliance with the procurement requirements.

Effect

The failure to retain or provide documentation of the procurement of the food management service contract prevented the determination of the School Corporation's compliance with the procurement requirements of the Procurement and Suspension and Debarment 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 related to procurements will be maintained and available for audit.

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 EAST CHICAGO
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

Subject: Child Nutrition Cluster - Reporting
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, FY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-011.

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 Reporting compliance requirement.

The School Corporation contracted with a food service management company to operate its food service program. The management company's General Manager prepared and submitted the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Reports (AFRs), and the School Food Authority (SFA) Verification Collection Reports without a proper system of oversight or review by the School Corporation.

Sponsor Claim (claims for reimbursement)

The Cafeteria Manager at each school manually prepared and submitted "daily meal count report" (daily reports) to the management company's office. The daily reports were based on information from a point of sale software program used in the schools.

The Administrative Assistant of the management company manually entered the amount and types of meals that were served (paid, reduced, and free) from the daily reports into the management company's software program. The General Manager of the management company used this information to prepare and submit the Sponsor Claim (claims for reimbursement) online to the Indiana Department of Education. An employee from the School Corporation's business office printed a copy of the Sponsor Claim (claims for reimbursement) summaries for its records and to be able to anticipate amounts to be received by the School Corporation

Comparisons of the daily reports to the monthly Sponsor Claim (claims for reimbursement) totals revealed differences. The net effect of the errors noted for the months tested resulted in \$989 in excess reimbursements to the School Corporation. The following discrepancies in the supporting documentation were noted:

1. The snack and supper counts were manually determined based upon a count sheet of the amount served. For the December 2015 Sponsor Claim (claims for reimbursement) tested, the snack and supper daily counts were combined on the same sheet and there was no way to determine from the total amount of servings each day, which were snack counts and which were supper counts. Thus, the snack count included on the Sponsor Claim (claims for reimbursement) could not be verified.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

2. For the October 2016 Sponsor Claim (claims for reimbursement) tested, an alternative school count was added to the Central High School meal counts manually on the Daily Sales Activity Reports. The alternative school meals were calculated based on a yearly school roster that was obtained by the management company at the beginning of the school year. The count was strictly based off of the school roster received from the alternative school and not based upon actual meals served. There was no way to determine if all of those students were in school each day and were served a meal.

When the sample errors were projected to the population as a whole, likely errors of \$6,076 in excess reimbursements were identified.

Annual Financial Reports (AFRs)

The AFRs were provided for audit without supporting documentation for the amounts reported. The beginning and ending cash and investment balances, as well as the total receipts and disbursements for both years, did not agree to the School Corporation's School Lunch fund activity.

At June 30, 2016 and 2017, the AFRs ending cash and investment balances were overstated by \$510,590 and \$339,866, respectively, when compared to the School Lunch fund's balances.

Context

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . ."

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting 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 a loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$989 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and 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.

FINDING 2017-005

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): 14214-014-PN01, 14215-014-PN01,
14216-012-PN01, 14217-012-PN01,
99914-014-PN01, 45715-012-PN01,
45716-012-PN01, 45717-012-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the requirements related to the grant agreement and the special reporting requirements of the Reporting compliance requirement.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

The School Corporation did not document the review or oversight process for the following data collection reports:

December 1st Child Count: support services generated the child count initial report and sent it to the special education records clerk for review. The special education records clerk compared the report to the records and verbally advised support services that the reports were accurate. The review or oversight process was not documented.

Suspension and Expulsion: support services generated the report and sent it to building principals and vice principals for review. The building level staff were to notify support services if any adjustments or corrections were necessary. Support services submitted the final report without documentation of the oversight or review process.

Termination Report (TR): The special education records clerk "terminated" a student in the system when a student left the School Corporation. Support services obtained this information from the special education records clerk and generated the TR. Once the report was generated, support services sent it back to the special education department for review and approval. The special education departmental 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 Reporting compliance requirement.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting 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 programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Equipment

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): 14214-014-PN01, 14215-014-PN01,
14216-012-PN01, 14217-012-PN01,
99914-014-PN01, 45715-012-PN01,
45716-012-PN01, 45717-012-PN01

Pass-Through Entity: Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-006.

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 equipment requirements of the Equipment and Real Property Management compliance requirement.

A special education department employee was responsible for tagging all of the equipment at each location. Once tagged, the equipment was added to an inventory listing. The special education department also indicated that a physical inventory was performed twice a year and that it was verified by at least two employees. However, it could not be verified that a physical inventory of all equipment had been performed and reviewed as indicated.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Furthermore, the School Corporation could not locate 36 of the 92 items that were listed on the equipment inventory listing.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . ."

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

(5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

(1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

Cause

The School Corporation's management had not implemented a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment and Real Property Management 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 Equipment and Real Property 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 2017-007

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): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

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.

The School Corporation's purchasing policy was not updated to include all the procurement standards as outlined in 2 CFR 200.318.

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 systematic issues throughout the audit period. Approximately 8 percent of the total grant fund disbursements were Uniform Guidance vendor procurements.

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). . . ."

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.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

- (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."

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 EAST CHICAGO
FEDERAL FINDINGS
(Continued)

FINDING 2017-008

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): SIG 14-15, FY 14-15, FY 15-16,
SIG 16-17, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

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

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 Reporting compliance requirement.

One individual completed and filed the Annual Expenditure Reports without evidence of an oversight or review process.

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 developed a system of internal controls to ensure compliance with the Reporting compliance requirement.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance 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 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.

FINDING 2017-009

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

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 repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

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 School Corporation was required to file a Comparability Report every two years with the Indiana Department of Education (IDOE), which documented the full-time equivalent (FTE) of staff to students by school. The information reported by the School Corporation was used by the IDOE to determine if services provided with state and local funds, when taken as a whole, were substantially comparable at each school.

An oversight or review process was not established for the Comparability Report prior to submission. The Title I Director prepared the Comparability Report online. Sufficient appropriate audit evidence could not be obtained to verify the accuracy and completeness of the 2015-2016 salary portion of the Comparability Report.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

In addition, although the 2017 fiscal year Comparability Report was not required to be submitted to the IDOE, the information in the 2016-2017 Comparability Report was compiled with 2015-2016 information instead of the updated information for the 2017 fiscal year.

Context

The lack of controls was a systemic issue throughout the audit period and prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Comparability compliance requirement.

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). . . ."

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's management had not developed a system of internal controls that would have ensured that records related to the Special Tests and Provisions - Comparability compliance requirement were maintained and made available for audit.

Effect

The failure to retain appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Comparability compliance requirement.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective controls to ensure that supporting documentation related to the Special Tests and Provisions - Comparability compliance requirement will be maintained for audit.

Views of Responsible Officials

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

FINDING 2017-010

Subject: Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants, Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants

CFDA Numbers: 84.027, 84.173, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-014-PN01, 14215-014-PN01, 14216-012-PN01, 14217-012-PN01, 99914-14-PN01, 45715-012-PN01, 45716-012-PN01, 45717-012-PN01, SIG 14-15, FY 14-15, FY 15-16, SIG 16-17, FY 16-17, FFY 2013, FFY 2014, FFY 2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Finding: Significant Deficiency

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 agreements and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

The school improvement plans were electronically submitted to the Indiana Department of Education. The submission and certification pages were not printed and retained by either the school's principals or superintendent. Evidence of an oversight or review process of the school improvement plans for the audit period was not provided.

Context

The lack of controls was a systemic issue throughout the audit period.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreements 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 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 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.

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

FINDING 2017-011

Subject: Supporting Effective Instruction State Grants – Special
Tests and Provisions - Assessment of Need
Federal Agency: Department of Education
Federal Program: Supporting Effective Instruction State Grants
CFDA Number: 84.367
Federal Award Numbers and Years (or Other Identifying Numbers): FFY 2013, FFY 2014, FFY 2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment of Need
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-007.

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 - Assessment of Need compliance requirement.

The School Corporation employees and officials were not knowledgeable as to who was responsible for the preparation, review, and submission of the Comprehensive Needs Assessment that was required to be submitted to the Indiana Department of Education each year. It could not be determined if the needs assessment was conducted with the involvement of teachers, including teachers who worked in Title I, Part A, as required, since supporting documentation was not provided to support that meetings were held or the attendees.

Context

Documentation was not provided to support the information in the School Corporation's needs assessment, thus, this is 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:

SCHOOL CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

(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 200.333 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. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support the Special Tests and Provisions - Assessment of Need compliance requirement.

Effect

The failure to provide documentation of who was involved in the needs assessment meetings prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment of Need 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 related to Special Tests and Provisions - Assessment of Need meetings conducted will be maintained and available for audit.

Views of Responsible Officials

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

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-001 - Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Lela Simmons, CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:


The School City of East Chicago has reviewed Finding 2017-01, internal controls of the School Corporation on segregation of duties, control over cash and investments balances, and identify or communicate corrective action plans.

Description of Corrective Action Plan:

The corrective action plan are as follows:

- 1) With regards to internal controls for segregation of duties, the School City of East Chicago will develop a plan for the verification for the Schedule of Expenditures of Federal Awards (SEFA). This plan will include that the finance department prepares the SEFA with information obtain from the business office. Once the SEFA is prepared, the report will be forward to the Chief Financial Officer for review, approval, and signature on the physical document. After the physical document is signed, the information will be entered into the Indiana Gateway for government units reporting system. Before the document is submitted the Chief Financial Officer will compare the physical document and the reporting system to ensure they match.

Anticipated Completion Date: School Corporation have internal controls in place July 1, 2017 for the upcoming 2017-2018 school year.

(Signature) 
(Title) CFO
(Date) 6-7-18

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School City of East Chicago

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-002 - School Breakfast Program and 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, FY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Contact Person Responsible for Corrective Action: Lela Simmons CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:
The School City of East Chicago has reviewed Finding 2017-02, for internal controls with requirements related to the grant agreement and the Cash Management compliance requirements.

Description of Corrective Action Plan:
The corrective action plan are as follows:
School City of East Chicago will develop internal controls for grant agreement and Cash Management pertaining to our school Food Service. School Corporation will monitor the cash limit in the school Lunch Fund. Invoice will be paid within the time due date listed on the invoice. The invoice will be review by the Chief Financial Officer and the Sodexo Manager and with a signed agreement. The invoice will be turned into the business office for payment.

Anticipated Completion Date: This process is currently being worked on with our current food service company.



(Signature) CFO

(Title) 6-7-18

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June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-003 - 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 and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion
Contact Person Responsible for Corrective Action: Lela Simmons CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-003, internal control for grant agreement and the compliance requirements for Procurement.

Description of Corrective Action Plan:

The corrective action plan are as follows:

School City of East Chicago will retain all Procurement documentation in the business office. This documentation will include all bids or request proposals, School City evaluation of the proposals, and all communication with Indiana Department of Education regarding procurement awards. All related contracts will be stored with all official documents. The awarded business will be all required documents with signatures that are required.


Anticipated Completion Date: The anticipated date for compliance is July 1, 2018



(Signature)



(Title)



(Date)

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June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-004 - Child Nutrition Cluster - Reporting

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, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Lela Simmons CFO

Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-004, internal control for grant agreement and the compliance requirements for reporting.

Description of Corrective Action Plan:

The corrective action plan are as follows:

- 1) School City of East Chicago will develop internal controls form claim reimbursement SodexoMagic and the business office. The control will include verification of the data that was submitted to the state through the food service personal. This data will be review by the business manager and signed off by the Chief Financial Officer and Food Service management in a monthly meeting. If there is a difference, it will be brought to the food service attention and will be adjusted on the current bill if available or on the next payment. The adjustment will verified by the Food Service management and the Chief Financial Management. There will be a yearly check for changes in the School Corporation Food Service needs. This evaluation will be conducted by the food service management with the assistance of the School Corporation business office. Any changes will be present to the School Corporation Superintendent and the board for approval.

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June 7, 2018


CORRECTIVE ACTION PLAN

- 1) School Corporation will meet with Food Service Management to put in place an internal control on retaining all back up to the Annual Financial Report (AFR). The Chief Financial Officer and the food service management will review the AFR before it is submit to ensure that the business office match opening and closing totals. If any adjustments need to be made, they will adjusted in the business office or listed as a note on the AFR. All original back will be kept at the food service business off and a copy will be stored in the School City business office.

Anticipated Completion Date: School City is currently working with SodexoMagic on Internal Controls.


(Signature)


(Title)


(Date)

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Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-006 - Special Education Cluster (IDEA) – Equipment

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): 14214-14-PN01, 14215-014-PN01,
14216-012-PN01, 14217-012-PN01,
99914-14-PN01, 45715-012-PN01,

45716-012-

PN01, 45717-012-PN01

Pass-Through Entity: Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Lela Simmons, CFO: Tamera Pol, Special Education Director

Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-006, internal control system related to the grant agreement and the compliance requirements for Equipment.

Description of Corrective Action Plan:

The corrective action plan are as follows:

Equipment Procedures for Federal Project Grants

1. Special Education Clerk receives and inventories all equipment. She signs purchase order showing that all items have been received. All software on purchase orders for non-public schools are inventoried by the non-public school secretary who in turn forwards the information to the Special Education Clerk. All software purchased for SCEC through federal funding will be inventoried by Tech Intern and Director of Technology/designee. Both will sign off on list.

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June 7, 2018

CORRECTIVE ACTION PLAN


FINDING 2017-006 - Special Education Cluster (IDEA) – Equipment

1. Special Education Clerk informs the tech intern who in turn reviews purchase order and asset tags all items and forwards them to the proper building.
2. Special Education Secretary prepares a list of all items on the federal projects grant to use as list #1 for comparison with Tech intern list #2.
3. Both lists will be reviewed by each other and Director of Special Education. All will sign and date showing review of list.
4. At the beginning of the school year, the Tech Intern and Special Education Secretary/designee will visit the buildings on the list to assure that equipment is at location designated on their list. Both lists must match and will be signed off by Tech Intern, Secretary and Director of Special Education. Asset tags will be checked to make sure that they are set appropriately on each item.
5. An asset tagging program has been purchased to assist and keep records of all equipment purchased. It will commence with current funding and work through to the oldest federal project.
6. At the end of the year/during the summer all inventory will be rechecked to make sure that all items are updated, working and accounted for.
7. The Director of Special Education, Chief Financial Officer, Tech Intern and Special Education Secretary will meet, discuss and submit a proposal to the Board of School Trustees for disposal of equipment. Once approved the tech intern will implement with the assistance of the Director of Technology. Both will sign off on the procedure.

Anticipated Completion Date: All internal controls are in process with Special Ed and Technology to ensure all equipment is labeled.



 (Signature)



 (Title)

6-7-18

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Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-007 - 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): FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion


Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-007, internal control system the School Corporation compliance with requirements related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

Description of Corrective Action Plan:

The Title 1 Department followed the school district's policy for small purchase procedures. The policy is being updated and our department will follow the policy as it is newly written as we have done in the past beginning July 1, 2018.

Anticipated Completion Date: School City of East Chicago is in the process of adopting a new procurement policy, once the policy is adopted Title I one will go by the guide lines of the new policy.


(Signature)

CFO
(Title)

6-7-18
(Date)

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School City of East Chicago

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-008 - Title I Grants to Local Educational Agencies - Reporting

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): SIG 14-15, FY 14-15, FY 15-16, SIG 16-17, FY 16-17

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Maria Brown, Title I
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-008, internal controls for retaining signed documents, segregation of duties, and Special Tests and Provisions – Assessment System Security.

Description of Corrective Action Plan:

School Corporation will follow all steps listed below to ensure all internal controls are followed:

- **Reporting:** Beginning in 2018, the Annual Expenditure Report will be reviewed and processed by the CFO. The document will be signed by the person completing the report.

Anticipated Completion Date: As of July 1, 2017, School City of East Chicago put internal controls in process to ensure all reporting and verification is documented.

(Signature)

(Title)

(Date)

Board of School Trustees

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Learning for ALL... Whatever it Takes!

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-009 - 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):

SIG 14-15, FY 14-15,
FY 15-16, SIG 16-17, FY 16-17

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Lela Simmons,CFO: Kimberley Bradley, Title 1 Director

Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2017-009, internal controls of the School Corporation system related to the grant agreement and the compliance requirements for Special Tests and Provisions - Comparability.

Description of Corrective Action Plan:

The plan to correct the finding related to the Annual Comparability Report the following will be carried out:

- Our district’s Data Systems Analyst will retrieve the necessary information for the completion of the report. Once retrieved, he will sign the document ensuring that the information is correct.
- The report will be completed by the Director of Federal Projects using the data from our information system and will be submitted online.
- A copy of the submitted report will be signed by the Chief Financial Officer and the Director of Federal Projects and a copy will be kept in both the Federal Projects Office and with the CFO.
- This report will be completed annually though it will only be submitted to the state bi-annually unless otherwise requested by the state.

Board of School Trustees

Stacy Winfield President	Vanessa Hernandez-Orange Vice President	Dwayne Rancifer, Jr. Secretary	Jesse Gomez Trustee	Joel Rodriguez Trustee
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Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-009 - Title I Grants to Local Educational Agencies – Special Tests and Provisions - Comparability

Anticipated Completion Date: School City of East Chicago has put in place, July 1, 2017, internal controls to ensure all grant agreements are followed.


(Signature)

CFO
(Title)

6-7-18
(Date)

Board of School Trustees

Stacy Winfield
President

Vanessa Hernandez-Orange
Vice President

Dwayne Rancifer, Jr.
Secretary

Jesse Gomez
Trustee

Joel Rodriguez
Trustee

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-010 - Education Cluster, Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants - Special Tests and Provisions – Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants, Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants

CFDA Numbers: 84.027, 84.173, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers):

14214-014-PN01, 14215-014-PN01, 14216-012-PN01,
14217-012-PN01, 99914-014-PN01, 45715-012-PN01,
45716-012-PN01, 45717-012-PN01, SIG 14-15,
FY 14-15, FY 15-16, SIG 16-17, FY 16-17, FY13, FFY14, FFY15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions – Schoolwide Programs

Audit Finding: Significant Deficiency

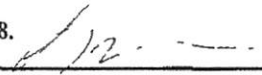
Views of Responsible Official:

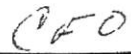
The School City of East Chicago has reviewed Finding 2017-010, internal controls the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions – Schoolwide Programs compliance requirement

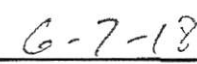
Description of Corrective Action Plan:

Beginning June 2018, principals will be directed to print submission screens before submitting School Improvement plans to the DOEONLINE website. Currently, plans are submitted to the Title I office, along with this submission, a copy of the printed screens will be submitted as well. The superintendent or her designee will also print the submission screen for the verification screen for School Improvement Plans.

Anticipated Completion Date: School City of East Chicago will be working on internal controls for July 1, 2018.



 (Signature)


 (Title)


 (Date)

Board of School Trustees

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President

Vanessa Hernandez-Orange
Vice President

Dwayne Rancier, Jr
Secretary

Jesse Gomez
Trustee

Joel Rodriguez
Trustee

Lela Simmons, Chief Financial Officer

June 7, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-011 - Supporting Effective Instruction State Grants - Special Tests and Provisions - Assessment of Need

Federal Agency: Department of Education
Federal Program: Supporting Effective Instruction State Grants
CFDA Number: 84.367
Federal Award Numbers and Years (or Other Identifying Numbers): FFY 2013, FFY 2014, FFY 2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment of Need
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Lela Simmons,CFO: Maria Brown, Title 1
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:


The School City of East Chicago has reviewed Finding 2017-011, internal controls for system related to the grant agreement and the compliance requirements for Suspension and Debarment.


Description of Corrective Action Plan:


In response to the finding for Title IIA concerning the Comprehensive Needs Assessmentlack of documentation.

Once the principals submit their individual SIP (School Improvement) plans to the superintendent, I will make sure that the Title II grant has a copy to add. We will also keep a copy for our files/binder for quick reference.
With this guideline we can determine the anticipated costs associated with the SIP of each school and whether it is feasible for the grant to cover.

Anticipated Completion Date: School City of East Chicago will continue to ensure all internal controls are follow.



(Signature)


(Title)


(Date)

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Trustee

Joel Rodriguez
Trustee

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

The same comment appeared in the prior Report B48451, entitled *SUPPORTING DOCUMENTATION*.

The School Board adopted Policy #6423 governing the use of credit cards, which stated in part: "Procedures for payment of expenses charged to credit cards must be according to Board policy for the payment of claims, Policy #6470." Policy #6470, states in part: "Each bill or obligation of this Board must be itemized fully and verified before a warrant can be drawn for its payment."

The prior report comment noted that there was an itemized receipt for the purchase of two airline tickets for Terence Hill, a School Board member and another person independent of the School Corporation. The extra \$366.96 ticket for airfare was to be reimbursed to the School Corporation. There was no evidence provided that the School Corporation had been reimbursed for the extra ticket.

We reviewed \$3,109.37 of credit card charges and payments for the 2016-2017 school year. Purchases of \$2,547.02 made with the School Corporation's credit cards were not supported by itemized receipts and the payments were based solely upon credit card statements. This included one credit card claim for \$299.98 that was not presented for audit. Due to the lack of detailed itemized receipts, we could not determine if the expenses were related to the functions and purposes of the School Corporation. Also, without detailed receipts we could not determine if the travel policy was followed for those credit card charges related to travel. These undocumented expenses may become the personal obligation of the responsible official or employee.

We requested that Terence Hill, former School Board member, reimburse the School Corporation \$366.96 for credit card charges paid by the School Corporation, which did not relate to the functions and purposes of the School Corporation. (See Summary of Charges, page 43)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 1)

The Indiana State Board of Accounts will not take exception to the use of credit cards by a unit provided the following criteria are observed:

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT
(Continued)

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log, which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2018, with Lela Simmons, Treasurer; Dr. Paige McNulty, Superintendent of Schools; and Dwayne Rancifer Jr., Vice President of the School Board.

The Audit Result and Comment was provided by certified mail on June 9, 2018, to Terence Hill, former School Board member.

SCHOOL CITY OF EAST CHICAGO
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Terence Hill, former School Board member: Supporting Documentation, page 40	<u>\$ 366.96</u>	<u>\$ -</u>	<u>\$ 366.96</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

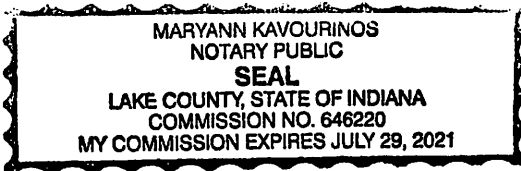
STATE OF INDIANA)
Lake COUNTY)

We, Cynthia David and Christina Griffin, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the School City of East Chicago, Lake County, Indiana, for the period from July 1, 2015 to June 30, 2017, is true and correct to the best of our knowledge and belief.

[Signature]

Christina Griffin
Field Examiners

Subscribed and sworn to before me this 27th day of August, 2018



Maryann Kavourinos
Notary Public

My Commission Expires: July 29, 2021

County of Residence: Lake

