

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

GARY COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/24/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Comer	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Cheryl L. Pruitt	07-01-16 to 02-02-18
Emergency Manager	Dr. Peggy Hinckley Dr. Peter Morikis	08-01-17 to 12-06-18 12-07-18 to 06-30-19
President of the School Board	Antuwan Clemmons Rosie G. Washington	01-01-16 to 12-31-16 01-01-17 to 07-31-17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Gary Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The School Corporation did not provide adequate records to properly account for classified personnel payroll disbursements. We were unable to obtain sufficient competent evidential matter because the School Corporation did not provide time and attendance records to support all payroll disbursements. The School Corporation's records do not permit the application of other auditing procedures to ascertain if disbursements and ending cash and investment balances of the financial statement were fairly stated.

Disclaimer of Opinion

Because of the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 7 to the financial statement, the School Corporation has been experiencing significant negative cash balances. Management's plans in regard to these matters are discussed in Note 12. The financial statement does not include any adjustments that might result from the outcome of Management's plans. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

We were engaged for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2019, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.



Tammy R. White, CPA
Deputy State Examiner

April 25, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Gary Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 25, 2019. Our report disclaimed an opinion on the financial statement due to the inability to obtain sufficient competent evidential matter for cash and investment balances and payroll disbursements.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002.

Gary Community School Corporation's Response to Findings

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

Purpose of This Report

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



Tammy R. White, CPA
Deputy State Examiner

April 25, 2019

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments			Other Financing		Cash and Investments			Other Financing		Cash and Investments	
	07-01-16	Receipts	Disbursements	Sources (Uses)	06-30-17	Receipts	Disbursements	Sources (Uses)	06-30-18			
General	\$ (2,866,881)	\$ 45,354,605	\$ 43,758,777	\$ 8,805,688	\$ 7,534,635	\$ 51,152,343	\$ 50,693,956	\$ (15,013,103)	\$ (7,020,081)			
Debt Service	(2,914,972)	8,131,762	6,792,841	-	(1,576,051)	9,217,573	7,287,172	-	354,350			
Exempt Debt	1,397,090	1,664,477	2,762,330	-	299,237	2,208,948	1,462,279	-	1,045,906			
Capital Projects	1,366,461	2,378,528	4,785,640	-	(1,040,651)	2,060,073	868,384	-	151,038			
School Transportation	(7,934,427)	3,277,287	4,987,003	-	(9,644,143)	3,182,295	3,400,598	10,384,107	521,661			
Construction	202,556	-	-	-	202,556	-	-	(202,556)	-			
School Lunch	1,422,320	5,177,138	4,649,453	(483,104)	1,466,901	4,629,569	4,272,369	-	1,824,101			
Textbook Rental	6,510,898	356,274	-	-	6,867,172	2,729	46,986	-	6,822,915			
Self-Insurance	5,527,932	439,350	899,485	-	5,067,797	361,087	964,607	-	4,464,277			
DUAB \$15M	1,558,200	-	1,724,900	166,700	-	-	-	-	-			
Levy Excess	1,644	-	-	-	1,644	-	-	(1,644)	-			
Alternative Education	15,312	5,445	-	-	20,757	-	40,028	-	(19,271)			
Early Intervention Grant	78,443	-	-	-	78,443	31,315	20,717	-	89,041			
Extra-Curricular Activities	(5,283)	-	-	-	(5,283)	-	-	5,283	-			
Construction, Remodeling, and Equipping Buildings	12,217	-	-	-	12,217	-	-	(12,217)	-			
Lilly Endow	-	50,000	14,050	-	35,950	-	1,334	-	34,616			
Early Learning IN	-	-	-	-	-	50,250	47,935	-	2,315			
Special Ed. United Way	53,604	-	-	-	53,604	-	-	(53,604)	-			
Formative Asses.	61,441	-	-	-	61,441	53,889	53,889	-	61,441			
Instruction Support	15,213	49,620	15,277	-	49,556	46,964	57,633	(3,540)	35,347			
Medicaid Reimbursement	79,847	2,331	-	-	82,178	67,311	3,742	-	145,747			
Non-English Speaking Programs	7,210	1,600	448	-	8,362	4,000	-	(5,443)	6,919			
Technology Grants [IC 20-40-15]	58,363	4,148	-	-	62,511	4,530	-	-	67,041			
EPA Projects	-	21,715	8,250	-	13,465	-	-	-	13,465			
Roosv/Other HVAC	-	356,000	356,000	-	-	129,096	126,196	-	2,900			
On My Way Pre K	-	64,125	-	-	64,125	77,194	1,539	-	139,780			
CTE Performance	-	11,813	-	-	11,813	10,388	6,297	(8,725)	7,179			
WGVE Broadcast	95,975	88,225	57,135	-	127,065	83,535	48,226	-	162,374			
Title I School Improvement	(24,235)	192,082	199,490	-	(31,643)	201,130	203,846	-	(34,359)			
School Impv 1003g	63,267	-	7	-	63,260	-	-	(63,260)	-			
Title I	(77,886)	5,204,184	5,529,720	-	(403,422)	5,801,105	6,235,395	(26,118)	(863,830)			
Impact Aid	16,655	-	11,125	-	5,530	-	724	-	4,806			
Imp. Sp. Education	(8,860)	-	-	-	(8,860)	-	-	8,860	-			
Sp. Ed. Improv	(5,080,423)	1,870,221	1,891,536	-	(5,101,738)	2,157,940	2,016,218	4,949,426	(10,590)			
Sp. Ed. Preschool	(137,228)	167,688	163,075	-	(132,615)	81,807	82,292	166,468	33,368			
Adult Basic Education	(49,141)	113,006	137,299	-	(73,434)	109,229	133,833	-	(98,038)			
Adult Ed. Vouchers	(4,597)	-	-	-	(4,597)	-	-	-	(4,597)			

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
Adult Ed. Remediation	(4,710)	-	-	-	(4,710)	-	-	-	(4,710)
Safe & Drug Free	1,290	-	-	-	1,290	-	-	(1,290)	-
Title II - Eisenhower - Science and Math Technology Grants	2,250	-	-	-	2,250	-	-	(2,250)	-
UTEP	7,333	-	-	-	7,333	-	-	(7,333)	-
Carl D. Perkins	(4,226)	234,707	225,528	-	4,953	151,132	160,832	-	(4,747)
C Perkins Hg %	-	-	-	-	-	18,418	18,418	-	-
Medicaid Reimbursement - Federal	756,477	6,430	-	-	762,907	127,028	37,476	-	852,459
Improving Teacher Quality, No Child Left, Title II, Part A	2,464	154,318	159,645	-	(2,863)	167,038	227,846	(6,360)	(70,031)
Title III - English Proficiency Migrant	(571)	-	-	-	(571)	-	-	-	(571)
Deep River	926	-	-	-	926	-	-	(926)	-
Technology	(267,027)	4,009	131,169	-	(394,187)	15,200	(337,934)	-	(41,053)
Vision Athena	8,635	-	-	-	8,635	-	-	(8,635)	-
Common School	11,734	-	-	-	11,734	-	-	(11,734)	-
Fiscal Stabilization - Education	933	-	-	-	933	-	-	(933)	-
Title I - Grants to LEAs	(2,212)	-	-	-	(2,212)	-	-	-	(2,212)
Special Education - Part B	39,233	-	-	-	39,233	-	-	(39,233)	-
McKinney - Vento Education for Homeless	739	-	-	-	739	-	-	(739)	-
Employee FICA	1,421,711	2,742,815	2,743,231	-	1,421,295	2,251,368	2,251,368	-	1,421,295
Employee Pensions	13,147	77,523	72,287	-	18,383	56,877	51,694	-	23,566
Employee Insurance	258,786	1,266,075	974,642	-	550,219	1,063,474	1,307,851	-	305,842
FIT	2,169,434	4,466,181	4,576,410	-	2,059,205	3,374,778	3,444,738	-	1,989,245
State Tax	167	1,591,538	1,591,747	-	(42)	1,300,837	1,300,801	-	(6)
Annuities	2,856	1,547,154	1,545,439	-	4,571	1,317,668	1,317,913	-	4,326
Garnishments	(1,025)	451,928	451,162	-	(259)	355,990	356,044	-	(313)
Union Dues	168,816	439,875	443,154	-	165,537	351,939	425,195	-	92,281
Withholdings (Misc. Deductions)	71	7,361	7,361	-	71	5,783	5,783	-	71
Credit Union	(460)	1,181,985	1,181,985	-	(460)	973,551	973,551	-	(460)
Provident Life Insurance	357	104,699	104,699	-	357	93,609	93,609	-	357
Short-Term Disability	279	153,304	153,304	-	279	130,628	129,734	-	1,173
Retirees Life Insurance	(28,223)	307,553	279,538	-	(208)	334,323	378,522	-	(44,407)
Group Accident Insurance	-	52,541	52,591	-	(50)	43,919	43,533	-	336
Totals	<u>\$ 3,999,899</u>	<u>\$ 89,771,620</u>	<u>\$ 93,437,733</u>	<u>\$ 8,489,284</u>	<u>\$ 8,823,070</u>	<u>\$ 93,857,860</u>	<u>\$ 90,263,169</u>	<u>\$ 44,501</u>	<u>\$ 12,462,262</u>

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources. Amounts received from taxes, revenue from local governmental units other than school corporations, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

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

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of some funds disbursing in excess of receipts, decreases in state funding due to decreases in student enrollment, and low tax collection rates. In other funds, it is attributed to the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

Note 8. Negative Disbursements

The financial statement contains some disbursements which appear as negative entries. This is a result of errors made in the prior periods which were corrected by reversing the original entry. Since the original entries and the corrections were made in separate periods, a negative disbursement was shown in the current period.

GARY COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 9. Restatements

For the year ended June 30, 2017, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balances as of June 30, 2016	Prior Period Adjustment	Balances as of July 1, 2016
Employee Insurance	\$ 558,786	\$ (300,000)	\$ 258,786

Note 10. Holding Corporation

The School Corporation has entered into capital leases with the Gary Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2017 and 2018, totaled \$4,868,224 and \$4,494,500, respectively.

Note 11. Subsequent Events

In April 2018, the State of Indiana Distressed Unit Appeal Board (DUAB) approved a common school loan for payroll expenses in the amount of \$3,750,000. Of the amount approved, the School Corporation drew down loan proceeds totaling \$2,499,083 prior to June 30, 2018. The School Corporation drew down a final amount of \$1,014,035 in July 2018 for a loan total of \$3,513,118.

In September 2018, the DUAB approved a common school loan in the amount of \$3,300,000 for payroll expenses. The amount borrowed by the School Corporation for this loan was \$3,077,827.

Note 12. Plans to Address Financial Concerns

Deficit

The Emergency Manager Team prepared a Viable Deficit Reduction Plan (VDRP) for the School Corporation. The VDRP is a multi-year plan to eliminate the School Corporation's operating deficit and reach fiscal sustainability.

The VDRP was presented to the DUAB in January 2018. The original VDRP and the twice updated VDRP document a credible plan for the School Corporation to eliminate the annual fiscal deficit and begin to pay down the accumulated long-term debt through 31 deficit reduction initiatives. The VDRP is updated and presented to the DUAB every six months. Updates were prepared and presented in July 2018 and January 2019.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

The 31 initiatives in the original VDRP yielded deficit reduction of approximately \$152,000,000 over seven years. The second update of the VDRP presented in January 2018 yielded deficit reduction of approximately \$149,000,000 for a variance of approximately \$3,000,000 or less than 2 percent.

As of December 2018, the School Corporation projects an annual operating fiscal deficit of approximately \$11,000,000. The projected annual deficit has decreased from approximately \$18,000,000 in January 2018 at the time of the original VDRP and from approximately \$22,000,000 in August 2017, when MGT Consulting Group LLC (MGT) was appointed Emergency Manager.

The overarching theme of the VDRP is that there are multiple pathways to fiscal solvency for the School Corporation. These multiple pathways are analogous to a candidate winning the U.S. presidency by securing at least 270 Electoral College votes. In a presidential election there are multiple pathways to at least 270 Electoral College votes. Throughout a campaign the candidate's path to at least 270 Electoral College votes may change based on evolving assumptions, analysis, conditions, and situations. While the goal of at least 270 Electoral College votes remains constant, the path to secure these votes may change.

The path to fiscal solvency for the School Corporation is similar to the path for at least 270 Electoral College votes for a presidential campaign. The initial strategy may require change due to evolving assumptions, analysis, conditions, and situations. While the goal of fiscal solvency remains constant, the strategy and pathways taken will likely change based on numerous factors. Some initiatives may unfold and materialize as planned. Other initiatives may not materialize as planned or may change from the initial plan.

However, the 31 initiatives detailed in the VDRP allow the Emergency Manager Team the flexibility to follow multiple pathways, change pathways as needed, and even develop new pathways.

Debt

In addition to the annual operating fiscal deficit, the School Corporation has accumulated a long-term debt of approximately \$93,000,000 and short-term debt of approximately \$4,000,000 for a total debt of approximately \$97,000,000 as of December 31, 2018. The annual debt has decreased from approximately \$104,000,000 in June 2017. Of the \$104,000,000 of total debt in June 2017, approximately \$87,500,000 was long-term debt and approximately \$16,500,000 was short-term debt.

Of the approximate \$93,000,000 in long-term debt, \$47,000,000 is from bonds and approximately \$46,000,000 is from common school loans. The bonds are a combination of Ad Valorem and general obligation issues. Debt service payments on these loans are made twice per year from the Debt Service fund. The common school loan payments are made monthly.

The School Corporation is planning to refinance one series of general obligation bonds in the late Spring of 2019. Depending on the outcome of this refinancing, additional refinancing will be pursued in 2020.

Of the approximate \$16,500,000 of short-term debt in June 2017, approximately \$8,500,000 was obligated to the Internal Revenue Service (IRS) and approximately \$8,000,000 was accounts payable obligations to numerous vendors. The IRS obligation was resolved, and property liens released in 2018 with a nominal settlement payment and an agreement to maintain compliance

GARY COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

with all IRS regulations for five years. Current accounts payable and committed purchase orders are less than \$3,000,000 as of the end of December 2018. The \$3,000,000 represents normal business operations. All judgements from vendors have been settled and all vendor accounts are current.

Cash Flow

The School Corporation is projected to rely on common school loans for financial assistance into 2020. However, per the VDRP and demonstrated activity in 2018 and 2019, the frequency of taking common school loans is decreasing.

Following the Emergency Manager appointment in August 2017, common school loans were taken in September and November of 2017. Common school loans were taken in April and September of 2018. Barring unforeseen circumstances, the next common school loan is projected in June 2019. This decreasing frequency for taking loans is expected to continue as internal controls, best practices, and cash management are further implemented.

Note 13. Funds Held by the State of Indiana

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

Fiscal Year	Beginning Cash and Investment Balance	Receipts	Disbursements	Ending Cash and Investment Balance
July 1, 2016 to June 30, 2017	\$ 1,499,499	\$ 5,060,462	\$ 5,264,388	\$ 1,295,573
July 1, 2017 to June 30, 2018	1,295,573	4,510,238	4,866,015	939,796

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OTHER INFORMATION - UNAUDITED

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

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

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

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	Construction	School Lunch	Textbook Rental	Self-Insurance
Cash and investments - beginning	\$ (2,866,881)	\$ (2,914,972)	\$ 1,397,090	\$ 1,366,461	\$ (7,934,427)	\$ 202,556	\$ 1,422,320	\$ 6,510,898	\$ 5,527,932
Receipts:									
Local sources	412,976	8,131,690	1,664,353	2,362,893	3,276,592	-	479,771	6,123	439,350
Intermediate sources	666,334	-	-	-	-	-	-	-	-
State sources	41,841,560	-	-	-	-	-	-	350,151	-
Federal sources	481,235	72	124	645	695	-	4,697,357	-	-
Temporary loans	1,952,500	-	-	-	-	-	-	-	-
Other receipts	-	-	-	14,990	-	-	10	-	-
Total receipts	<u>45,354,605</u>	<u>8,131,762</u>	<u>1,664,477</u>	<u>2,378,528</u>	<u>3,277,287</u>	<u>-</u>	<u>5,177,138</u>	<u>356,274</u>	<u>439,350</u>
Disbursements:									
Instruction	25,719,026	-	-	-	-	-	1,167	-	-
Support services	15,991,492	511,383	-	3,284,413	4,885,346	-	-	-	-
Noninstructional services	21,929	-	-	-	101,657	-	4,648,286	-	-
Facilities acquisition and construction	-	-	-	1,501,227	-	-	-	-	-
Debt service	2,026,330	6,281,458	2,762,330	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	899,485
Total disbursements	<u>43,758,777</u>	<u>6,792,841</u>	<u>2,762,330</u>	<u>4,785,640</u>	<u>4,987,003</u>	<u>-</u>	<u>4,649,453</u>	<u>-</u>	<u>899,485</u>
Excess (deficiency) of receipts over disbursements	<u>1,595,828</u>	<u>1,338,921</u>	<u>(1,097,853)</u>	<u>(2,407,112)</u>	<u>(1,709,716)</u>	<u>-</u>	<u>527,685</u>	<u>356,274</u>	<u>(460,135)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	272	-	-	-	-	-	-	-	-
Transfers in	8,322,312	-	-	-	-	-	-	-	-
Transfers out	483,104	-	-	-	-	-	(483,104)	-	-
Total other financing sources (uses)	<u>8,805,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(483,104)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>10,401,516</u>	<u>1,338,921</u>	<u>(1,097,853)</u>	<u>(2,407,112)</u>	<u>(1,709,716)</u>	<u>-</u>	<u>44,581</u>	<u>356,274</u>	<u>(460,135)</u>
Cash and investments - ending	<u>\$ 7,534,635</u>	<u>\$ (1,576,051)</u>	<u>\$ 299,237</u>	<u>\$ (1,040,651)</u>	<u>\$ (9,644,143)</u>	<u>\$ 202,556</u>	<u>\$ 1,466,901</u>	<u>\$ 6,867,172</u>	<u>\$ 5,067,797</u>

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	DUAB \$15M	Levy Excess	Alternative Education	Early Intervention Grant	Extra- Curricular Activities	Construction, Remodeling, and Equipping Buildings	Lilly Endow	Early Learning IN	Special Ed. United Way
Cash and investments - beginning	\$ 1,558,200	\$ 1,644	\$ 15,312	\$ 78,443	\$ (5,283)	\$ 12,217	\$ -	\$ -	\$ 53,604
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	5,445	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	50,000	-	-
Total receipts	-	-	5,445	-	-	-	50,000	-	-
Disbursements:									
Instruction	390,915	-	-	-	-	-	-	-	-
Support services	1,333,985	-	-	-	-	-	14,050	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,724,900	-	-	-	-	-	14,050	-	-
Excess (deficiency) of receipts over disbursements	(1,724,900)	-	5,445	-	-	-	35,950	-	-
Other financing sources (uses):									
Proceeds of long-term debt	8,489,012	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(8,322,312)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	166,700	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,558,200)	-	5,445	-	-	-	35,950	-	-
Cash and investments - ending	\$ -	\$ 1,644	\$ 20,757	\$ 78,443	\$ (5,283)	\$ 12,217	\$ 35,950	\$ -	\$ 53,604

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Formative Asses.	Instruction Support	Medicaid Reimbursement	Non-English Speaking Programs	Technology Grants [IC 20-40-15]	EPA Projects	Roosv/Other HVAC	On My Way Pre K	CTE Performance
Cash and investments - beginning	\$ 61,441	\$ 15,213	\$ 79,847	\$ 7,210	\$ 58,363	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	21,715	356,000	64,125	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	49,620	2,331	1,600	4,148	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	11,813
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	49,620	2,331	1,600	4,148	21,715	356,000	64,125	11,813
Disbursements:									
Instruction	-	14,881	-	448	-	-	-	-	-
Support services	-	396	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	8,250	356,000	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	15,277	-	448	-	8,250	356,000	-	-
Excess (deficiency) of receipts over disbursements	-	34,343	2,331	1,152	4,148	13,465	-	64,125	11,813
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	34,343	2,331	1,152	4,148	13,465	-	64,125	11,813
Cash and investments - ending	\$ 61,441	\$ 49,556	\$ 82,178	\$ 8,362	\$ 62,511	\$ 13,465	\$ -	\$ 64,125	\$ 11,813

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	WGVE Broadcast	Title I School Improvement	School Impv 1003g	Title I	Impact Aid	Imp. Sp. Education	Sp. Ed. Improv	Sp. Ed. Preschool	Adult Basic Education
Cash and investments - beginning	\$ 95,975	\$ (24,235)	\$ 63,267	\$ (77,886)	\$ 16,655	\$ (8,860)	\$ (5,080,423)	\$ (137,228)	\$ (49,141)
Receipts:									
Local sources	88,225	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	192,082	-	5,204,184	-	-	1,870,221	167,688	113,006
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>88,225</u>	<u>192,082</u>	<u>-</u>	<u>5,204,184</u>	<u>-</u>	<u>-</u>	<u>1,870,221</u>	<u>167,688</u>	<u>113,006</u>
Disbursements:									
Instruction	57,135	118,321	7	2,988,103	-	-	1,891,536	163,075	137,299
Support services	-	72,457	-	2,375,169	11,125	-	-	-	-
Noninstructional services	-	8,712	-	166,448	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>57,135</u>	<u>199,490</u>	<u>7</u>	<u>5,529,720</u>	<u>11,125</u>	<u>-</u>	<u>1,891,536</u>	<u>163,075</u>	<u>137,299</u>
Excess (deficiency) of receipts over disbursements	<u>31,090</u>	<u>(7,408)</u>	<u>(7)</u>	<u>(325,536)</u>	<u>(11,125)</u>	<u>-</u>	<u>(21,315)</u>	<u>4,613</u>	<u>(24,293)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>31,090</u>	<u>(7,408)</u>	<u>(7)</u>	<u>(325,536)</u>	<u>(11,125)</u>	<u>-</u>	<u>(21,315)</u>	<u>4,613</u>	<u>(24,293)</u>
Cash and investments - ending	<u>\$ 127,065</u>	<u>\$ (31,643)</u>	<u>\$ 63,260</u>	<u>\$ (403,422)</u>	<u>\$ 5,530</u>	<u>\$ (8,860)</u>	<u>\$ (5,101,738)</u>	<u>\$ (132,615)</u>	<u>\$ (73,434)</u>

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	Adult Ed. Vouchers	Adult Ed. Remediation	Safe & Drug Free	Title II - Eisenhower - Science and Math Technology Grants	UTEP	Carl D. Perkins	C Perkins Hg %	Medicaid Reimbursement - Federal
Cash and investments - beginning	\$ (4,597)	\$ (4,710)	\$ 1,290	\$ 2,250	\$ 7,333	\$ (4,226)	\$ -	\$ 756,477
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	234,707	-	6,430
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	234,707	-	6,430
Disbursements:								
Instruction	-	-	-	-	-	226,288	-	-
Support services	-	-	-	-	-	(760)	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	225,528	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	9,179	-	6,430
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	9,179	-	6,430
Cash and investments - ending	\$ (4,597)	\$ (4,710)	\$ 1,290	\$ 2,250	\$ 7,333	\$ 4,953	\$ -	\$ 762,907

GARY COMMUNITY SCHOOL CORPORATION
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 For the Year Ended June 30, 2017

	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Deep River	Technology	Vision Athena	Common School	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B
Cash and investments - beginning	\$ 2,464	\$ (571)	\$ 926	\$ (267,027)	\$ 8,635	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	4,009	-	-	-	-	-
Federal sources	154,318	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	154,318	-	-	4,009	-	-	-	-	-
Disbursements:									
Instruction	2,952	-	-	20,203	-	-	-	-	-
Support services	156,693	-	-	110,966	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	159,645	-	-	131,169	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(5,327)	-	-	(127,160)	-	-	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,327)	-	-	(127,160)	-	-	-	-	-
Cash and investments - ending	\$ (2,863)	\$ (571)	\$ 926	\$ (394,187)	\$ 8,635	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233

GARY COMMUNITY SCHOOL CORPORATION
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	McKinney - Vento Education for Homeless	Employee FICA	Employee Pensions	Employee Insurance	FIT	State Tax	Annuities	Garnishments	Union Dues
Cash and investments - beginning	\$ 739	\$ 1,421,711	\$ 13,147	\$ 258,786	\$ 2,169,434	\$ 167	\$ 2,856	\$ (1,025)	\$ 168,816
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	2,742,815	77,523	1,266,075	4,466,181	1,591,538	1,547,154	451,928	439,875
Total receipts	-	2,742,815	77,523	1,266,075	4,466,181	1,591,538	1,547,154	451,928	439,875
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,743,231	72,287	974,642	4,576,410	1,591,747	1,545,439	451,162	443,154
Total disbursements	-	2,743,231	72,287	974,642	4,576,410	1,591,747	1,545,439	451,162	443,154
Excess (deficiency) of receipts over disbursements	-	(416)	5,236	291,433	(110,229)	(209)	1,715	766	(3,279)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(416)	5,236	291,433	(110,229)	(209)	1,715	766	(3,279)
Cash and investments - ending	\$ 739	\$ 1,421,295	\$ 18,383	\$ 550,219	\$ 2,059,205	\$ (42)	\$ 4,571	\$ (259)	\$ 165,537

GARY COMMUNITY SCHOOL CORPORATION
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	Withholdings (Misc. Deductions)	Credit Union	Provident Life Insurance	Short-Term Disability	Retirees Life Insurance	Group Accident Insurance	Totals
Cash and investments - beginning	\$ 71	\$ (460)	\$ 357	\$ 279	\$ (28,223)	\$ -	\$ 3,999,899
Receipts:							
Local sources	-	-	-	-	-	-	17,303,813
Intermediate sources	-	-	-	-	-	-	666,334
State sources	-	-	-	-	-	-	42,258,864
Federal sources	-	-	-	-	-	-	13,134,577
Temporary loans	-	-	-	-	-	-	1,952,500
Other receipts	7,361	1,181,985	104,699	153,304	307,553	52,541	14,455,532
Total receipts	7,361	1,181,985	104,699	153,304	307,553	52,541	89,771,620
Disbursements:							
Instruction	-	-	-	-	-	-	31,731,356
Support services	-	-	-	-	-	-	28,746,715
Noninstructional services	-	-	-	-	-	-	4,947,032
Facilities acquisition and construction	-	-	-	-	-	-	1,865,477
Debt service	-	-	-	-	-	-	11,070,118
Nonprogrammed charges	7,361	1,181,985	104,699	153,304	279,538	52,591	15,077,035
Total disbursements	7,361	1,181,985	104,699	153,304	279,538	52,591	93,437,733
Excess (deficiency) of receipts over disbursements	-	-	-	-	28,015	(50)	(3,666,113)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	8,489,012
Sale of capital assets	-	-	-	-	-	-	272
Transfers in	-	-	-	-	-	-	8,322,312
Transfers out	-	-	-	-	-	-	(8,322,312)
Total other financing sources (uses)	-	-	-	-	-	-	8,489,284
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	28,015	(50)	4,823,171
Cash and investments - ending	\$ 71	\$ (460)	\$ 357	\$ 279	\$ (208)	\$ (50)	\$ 8,823,070

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	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	Construction	School Lunch	Textbook Rental	Self-Insurance
Cash and investments - beginning	\$ 7,534,635	\$ (1,576,051)	\$ 299,237	\$ (1,040,651)	\$ (9,644,143)	\$ 202,556	\$ 1,466,901	\$ 6,867,172	\$ 5,067,797
Receipts:									
Local sources	215,192	9,217,084	2,208,871	1,977,159	3,181,869	-	119,331	2,729	361,087
Intermediate sources	555,607	-	-	-	-	-	-	-	-
State sources	38,081,504	-	-	-	-	-	-	-	-
Federal sources	258,716	489	77	82,914	426	-	4,510,238	-	-
Temporary loans	12,041,324	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	51,152,343	9,217,573	2,208,948	2,060,073	3,182,295	-	4,629,569	2,729	361,087
Disbursements:									
Instruction	23,353,010	-	-	-	-	-	-	-	-
Support services	26,134,981	(419,883)	-	(788,739)	3,338,130	-	-	46,986	22,500
Noninstructional services	21,307	-	-	-	62,468	-	4,272,369	-	-
Facilities acquisition and construction	321,017	-	-	1,657,123	-	-	-	-	-
Debt service	863,641	7,707,055	1,462,279	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	942,107
Total disbursements	50,693,956	7,287,172	1,462,279	868,384	3,400,598	-	4,272,369	46,986	964,607
Excess (deficiency) of receipts over disbursements	458,387	1,930,401	746,669	1,191,689	(218,303)	-	357,200	(44,257)	(603,520)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	44,501	-	-	-	-	-	-	-	-
Transfers in	(8,335,271)	-	-	-	10,384,107	-	-	-	122
Transfers out	(6,722,333)	-	-	-	-	(202,556)	-	-	(122)
Total other financing sources (uses)	(15,013,103)	-	-	-	10,384,107	(202,556)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,554,716)	1,930,401	746,669	1,191,689	10,165,804	(202,556)	357,200	(44,257)	(603,520)
Cash and investments - ending	\$ (7,020,081)	\$ 354,350	\$ 1,045,906	\$ 151,038	\$ 521,661	\$ -	\$ 1,824,101	\$ 6,822,915	\$ 4,464,277

GARY COMMUNITY SCHOOL CORPORATION
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	DUAB \$15M	Levy Excess	Alternative Education	Early Intervention Grant	Extra- Curricular Activities	Construction, Remodeling, and Equipping Buildings	Lilly Endow	Early Learning IN	Special Ed. United Way
Cash and investments - beginning	\$ -	\$ 1,644	\$ 20,757	\$ 78,443	\$ (5,283)	\$ 12,217	\$ 35,950	\$ -	\$ 53,604
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	50,250	-
State sources	-	-	-	31,315	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	31,315	-	-	-	50,250	-
Disbursements:									
Instruction	-	-	40,028	-	-	-	-	5,427	-
Support services	-	-	-	20,717	-	-	1,334	28,298	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	14,210	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	40,028	20,717	-	-	1,334	47,935	-
Excess (deficiency) of receipts over disbursements	-	-	(40,028)	10,598	-	-	(1,334)	2,315	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	5,283	-	-	-	-
Transfers out	-	(1,644)	-	-	-	(12,217)	-	-	(53,604)
Total other financing sources (uses)	-	(1,644)	-	-	5,283	(12,217)	-	-	(53,604)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,644)	(40,028)	10,598	5,283	(12,217)	(1,334)	2,315	(53,604)
Cash and investments - ending	\$ -	\$ -	\$ (19,271)	\$ 89,041	\$ -	\$ -	\$ 34,616	\$ 2,315	\$ -

GARY COMMUNITY SCHOOL CORPORATION
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	Formative Asses.	Instruction Support	Medicaid Reimbursement	Non-English Speaking Programs	Technology Grants [IC 20-40-15]	EPA Projects	Roosv/Other HVAC	On My Way Pre K	CTE Performance
Cash and investments - beginning	\$ 61,441	\$ 49,556	\$ 82,178	\$ 8,362	\$ 62,511	\$ 13,465	\$ -	\$ 64,125	\$ 11,813
Receipts:									
Local sources	-	-	-	-	-	-	129,096	77,194	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	53,889	46,964	67,311	4,000	4,530	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	10,388
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	53,889	46,964	67,311	4,000	4,530	-	129,096	77,194	10,388
Disbursements:									
Instruction	-	57,633	3,742	-	-	-	-	-	6,297
Support services	53,889	-	-	-	-	-	-	1,539	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	126,196	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	53,889	57,633	3,742	-	-	-	126,196	1,539	6,297
Excess (deficiency) of receipts over disbursements	-	(10,669)	63,569	4,000	4,530	-	2,900	75,655	4,091
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(3,540)	-	(5,443)	-	-	-	-	(8,725)
Total other financing sources (uses)	-	(3,540)	-	(5,443)	-	-	-	-	(8,725)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(14,209)	63,569	(1,443)	4,530	-	2,900	75,655	(4,634)
Cash and investments - ending	\$ 61,441	\$ 35,347	\$ 145,747	\$ 6,919	\$ 67,041	\$ 13,465	\$ 2,900	\$ 139,780	\$ 7,179

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	WGVE Broadcast	Title I School Improvement	School Impv 1003g	Title I	Impact Aid	Imp. Sp. Education	Sp. Ed. Improv	Sp. Ed. Preschool	Adult Basic Education
Cash and investments - beginning	\$ 127,065	\$ (31,643)	\$ 63,260	\$ (403,422)	\$ 5,530	\$ (8,860)	\$ (5,101,738)	\$ (132,615)	\$ (73,434)
Receipts:									
Local sources	83,535	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	201,130	-	5,801,105	-	-	2,157,940	81,807	109,229
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	83,535	201,130	-	5,801,105	-	-	2,157,940	81,807	109,229
Disbursements:									
Instruction	48,226	42,137	-	4,018,322	-	-	1,838,429	82,292	133,833
Support services	-	160,999	-	2,074,015	724	-	120,712	-	-
Noninstructional services	-	710	-	143,058	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	57,077	-	-
Total disbursements	48,226	203,846	-	6,235,395	724	-	2,016,218	82,292	133,833
Excess (deficiency) of receipts over disbursements	35,309	(2,716)	-	(434,290)	(724)	-	141,722	(485)	(24,604)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	8,860	4,993,907	169,661	-
Transfers out	-	-	(63,260)	(26,118)	-	-	(44,481)	(3,193)	-
Total other financing sources (uses)	-	-	(63,260)	(26,118)	-	8,860	4,949,426	166,468	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	35,309	(2,716)	(63,260)	(460,408)	(724)	8,860	5,091,148	165,983	(24,604)
Cash and investments - ending	\$ 162,374	\$ (34,359)	\$ -	\$ (863,830)	\$ 4,806	\$ -	\$ (10,590)	\$ 33,368	\$ (98,038)

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	Adult Ed. Vouchers	Adult Ed. Remediation	Safe & Drug Free	Title II - Eisenhower - Science and Math Technology Grants	UTEP	Carl D. Perkins	C Perkins Hg %	Medicaid Reimbursement - Federal
Cash and investments - beginning	\$ (4,597)	\$ (4,710)	\$ 1,290	\$ 2,250	\$ 7,333	\$ 4,953	\$ -	\$ 762,907
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	151,132	18,418	127,028
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	151,132	18,418	127,028
Disbursements:								
Instruction	-	-	-	-	-	152,387	18,418	37,476
Support services	-	-	-	-	-	8,445	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	160,832	18,418	37,476
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(9,700)	-	89,552
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(1,290)	(2,250)	(7,333)	-	-	-
Total other financing sources (uses)	-	-	(1,290)	(2,250)	(7,333)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,290)	(2,250)	(7,333)	(9,700)	-	89,552
Cash and investments - ending	\$ (4,597)	\$ (4,710)	\$ -	\$ -	\$ -	\$ (4,747)	\$ -	\$ 852,459

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	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Deep River	Technology	Vision Athena	Common School	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B
Cash and investments - beginning	\$ (2,863)	\$ (571)	\$ 926	\$ (394,187)	\$ 8,635	\$ 11,734	\$ 933	\$ (2,212)	\$ 39,233
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	15,200	-	-	-	-	-
Federal sources	167,038	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	167,038	-	-	15,200	-	-	-	-	-
Disbursements:									
Instruction	-	-	-	10,918	-	-	-	-	-
Support services	227,846	-	-	(348,852)	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	227,846	-	-	(337,934)	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(60,808)	-	-	353,134	-	-	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(6,360)	-	(926)	-	(8,635)	(11,734)	(933)	-	(39,233)
Total other financing sources (uses)	(6,360)	-	(926)	-	(8,635)	(11,734)	(933)	-	(39,233)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(67,168)	-	(926)	353,134	(8,635)	(11,734)	(933)	-	(39,233)
Cash and investments - ending	\$ (70,031)	\$ (571)	\$ -	\$ (41,053)	\$ -	\$ -	\$ -	\$ (2,212)	\$ -

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	McKinney - Vento Education for Homeless	Employee FICA	Employee Pensions	Employee Insurance	FIT	State Tax	Annuities	Garnishments	Union Dues
Cash and investments - beginning	\$ 739	\$ 1,421,295	\$ 18,383	\$ 550,219	\$ 2,059,205	\$ (42)	\$ 4,571	\$ (259)	\$ 165,537
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	2,251,368	56,877	1,063,474	3,374,778	1,300,837	1,317,668	355,990	351,939
Total receipts	-	2,251,368	56,877	1,063,474	3,374,778	1,300,837	1,317,668	355,990	351,939
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,251,368	51,694	1,307,851	3,444,738	1,300,801	1,317,913	356,044	425,195
Total disbursements	-	2,251,368	51,694	1,307,851	3,444,738	1,300,801	1,317,913	356,044	425,195
Excess (deficiency) of receipts over disbursements	-	-	5,183	(244,377)	(69,960)	36	(245)	(54)	(73,256)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(739)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(739)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(739)	-	5,183	(244,377)	(69,960)	36	(245)	(54)	(73,256)
Cash and investments - ending	\$ -	\$ 1,421,295	\$ 23,566	\$ 305,842	\$ 1,989,245	\$ (6)	\$ 4,326	\$ (313)	\$ 92,281

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Withholdings (Misc. Deductions)	Credit Union	Provident Life Insurance	Short-Term Disability	Retirees Life Insurance	Group Accident Insurance	Totals
Cash and investments - beginning	\$ 71	\$ (460)	\$ 357	\$ 279	\$ (208)	\$ (50)	\$ 8,823,070
Receipts:							
Local sources	-	-	-	-	-	-	17,573,147
Intermediate sources	-	-	-	-	-	-	605,857
State sources	-	-	-	-	-	-	38,304,713
Federal sources	-	-	-	-	-	-	13,678,075
Temporary loans	-	-	-	-	-	-	12,041,324
Other receipts	5,783	973,551	93,609	130,628	334,323	43,919	11,654,744
Total receipts	5,783	973,551	93,609	130,628	334,323	43,919	93,857,860
Disbursements:							
Instruction	-	-	-	-	-	-	29,848,575
Support services	-	-	-	-	-	-	30,683,641
Noninstructional services	-	-	-	-	-	-	4,499,912
Facilities acquisition and construction	-	-	-	-	-	-	2,118,546
Debt service	-	-	-	-	-	-	10,032,975
Nonprogrammed charges	5,783	973,551	93,609	129,734	378,522	43,533	13,079,520
Total disbursements	5,783	973,551	93,609	129,734	378,522	43,533	90,263,169
Excess (deficiency) of receipts over disbursements	-	-	-	894	(44,199)	386	3,594,691
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	44,501
Transfers in	-	-	-	-	-	-	7,226,669
Transfers out	-	-	-	-	-	-	(7,226,669)
Total other financing sources (uses)	-	-	-	-	-	-	44,501
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	894	(44,199)	386	3,639,192
Cash and investments - ending	\$ 71	\$ (460)	\$ 357	\$ 1,173	\$ (44,407)	\$ 336	\$ 12,462,262

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,442,646</u>	<u>\$ 229,498</u>

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Gary Community School Building Corporation	McCullough Renovations	\$ 1,144,500	12/31/2012	12/31/2028
Gary Community School Building Corporation	Refunding 2004 Bonds	1,384,000	01/15/2013	01/15/2029
Gary Community School Building Corporation	General Operating Costs	<u>2,200,000</u>	07/15/2013	01/15/2033
Total of annual lease payments		<u>\$ 4,728,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loans	\$ 44,525,113	\$ 5,718,090
General obligation bonds	Improvements and judgments	<u>10,600,000</u>	<u>1,555,885</u>
Totals		<u>\$ 55,125,113</u>	<u>\$ 7,273,975</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Gary Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2018-004, 2018-005, and 2018-006 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management, Reporting, Procurement and Suspension and Debarment, and Special Tests and Provisions - School Food Accounts that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2018-010 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Special Education Cluster (IDEA) regarding Reporting. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

As described in items 2018-006, 2018-008, 2018-009, and 2018-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Reporting that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

As described in items 2018-014 and 2018-016 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Eligibility and Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

As described in items 2018-006, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018, and 2018-019 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles; Cash Management; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Reporting; Special Tests and Provisions - Participation of Private School Children; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; and Special Tests and Provisions - Assessment System Security that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter and noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraphs, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2016 to June 30, 2018.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter and noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraphs, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2016 to June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018, and 2018-019, that we consider to be material weaknesses.

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

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



Tammy R. White, CPA
Deputy State Examiner

April 25, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	2016-17, 2017-2018	\$ -	\$ 1,675,325	\$ -	\$ 1,455,830
School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555	2016-17, 2017-2018	-	2,996,216	-	2,658,962
National School Lunch Program							
National School Lunch Program - Commodities				-	284,937	-	241,461
Total - National School Lunch Program				-	3,281,153	-	2,900,423
Summer Food Service Program for Children	Indiana Department of Education	10.559	2016-17, 2017-2018	-	53,210	-	65,322
Summer Food Service Program for Children							
Total - Child Nutrition Cluster				-	5,009,688	-	4,421,575
Child and Adult Care Food Program	Indiana Department of Education	10.558	2016-17, 2017-2018	-	31,568	-	94,184
Child and Adult Care Food Program							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	2016-17, 2017-2018	-	304,143	-	223,382
Fresh Fruit and Vegetable Program							
Total - Department of Agriculture				-	5,345,399	-	4,739,141
Department of Defense							
Army Junior Reserve Officers' Training Corps (JROTC)	Direct Grant	12.000	2016-2017, 2017-2018	-	41,183	-	48,365
Army Junior Reserve Officers' Training Corps (JROTC)							
Total - Department of Defense				-	41,183	-	48,365
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14216-017-PN01	-	813,973	-	104,141
Special Education Grant			14217-017-PN01	-	1,056,248	-	1,150,364
Special Education Grant			18611-017-PN01	-	-	-	903,435
Special Education Grant							
Total - Special Education Grants to States				-	1,870,221	-	2,157,940
Special Education Preschool Grants	Indiana Department of Education	84.173	45715-019-PN01	-	33,505	-	-
Special Education Preschool Grant			45716-017-PN01	-	20,537	-	-
Special Education Preschool Grant			45717-017-PN01	-	113,646	-	14,675
Special Education Preschool Grant			18619-017-PN01	-	-	-	67,132
Special Education Preschool Grant							
Total - Special Education Preschool Grants				-	167,688	-	81,807
Total - Special Education Cluster (IDEA)				-	2,037,909	-	2,239,747
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002	CWI-AE-01-PY15	-	28,834	-	-
Adult Basic Education			CWI-AE-01-PY16	-	10,341	-	24,020
Adult Basic Education			CWI-AE-04-PY16	-	-	-	26,676
Adult Basic Education							
Total - Adult Education - Basic Grants to States				-	39,175	-	50,696

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant			16-4690	-	1,968,409	-	-
Title I Basic Grant			17-4690	-	3,235,775	-	3,329,915
Title I Basic Grant			18-4690	-	-	-	2,471,190
Title I School Improvement Grant			S010A150014	-	130,597	-	-
Title I School Improvement Grant			S010A160014	-	61,485	-	10,792
Title I School Improvement Grant			S010A170014	-	-	-	190,338
Total - Title I Grants to Local Educational Agencies				-	5,396,266	-	6,002,235
Impact Aid	Direct Grant	84.041					
Impact Aid			S041B-2010-1597	-	2,882	-	724
Impact Aid			S041B-2017-1597	-	493	-	-
Impact Aid			S041B-2014-1597	-	7,541	-	-
Impact Aid			S041B-2015-1597	-	95	-	-
Impact Aid			S041B-2018-1597	-	114	-	-
Total - Impact Aid				-	11,125	-	724
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Carl Perkins Career and Technical Education			16-4700-4690	-	123,461	-	-
Carl Perkins Career and Technical Education			17-4700-4690	-	111,246	-	53,328
Carl Perkins Career and Technical Education			18-4700-4690	-	-	-	97,804
Total - Career and Technical Education - Basic Grants to States				-	234,707	-	151,132
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality			S367A140013	-	33,288	-	-
Title II Improving Teacher Quality			S367A150013	-	121,030	-	-
Title II Improving Teacher Quality			S367A160013	-	-	-	136,777
Title II Improving Teacher Quality			S367A170013	-	-	-	30,261
Total - Supporting Effective Instruction State Grants				-	154,318	-	167,038
Total - Department of Education				-	7,873,500	-	8,611,572
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid Reimbursement			2016-2017	-	6,430	-	80,068
Medicaid Reimbursement			2017-2018	-	-	-	46,959
Total - Medical Assistance Program				-	6,430	-	127,027
Total - Medicaid Cluster				-	6,430	-	127,027
Total - Department of Health and Human Services				-	6,430	-	127,027
Department of Homeland Security							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	089-060DA-00	-	-	-	82,640
Total federal awards expended				\$ -	\$ 13,266,512	\$ -	\$ 13,608,745

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$806,258

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-001 and 2016-002.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, journal entries, and financial reporting.

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

Cash and Investments

The School Corporation had not separated incompatible activities related to cash and investment balances. Depository reconcilements of the vendor and payroll bank accounts were performed by the Treasurer; however, policies or procedures for an independent review of the reconcilements were not established. It was determined that the All Funds Cash Balances monthly reports did not include the balances of all funds with a monthly ending balance.

Receipts

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

Disbursements - Vendor

The Treasurer, who helped prepare Accounts Payable Vouchers (APV), generated checks, generated APV check registers, recorded disbursements, reviewed and approved disbursements, and also reconciled the bank accounts. There was no evidence of a proper system of oversight or review throughout the audit period.

Disbursements - Compensation and Supporting Records

1. An oversight or review process was not established to ensure the accuracy of the biweekly payroll claim prior to payment and posting.
2. A process was not in place to ensure that employees were paid the correct rate of pay. A School Board/Emergency Manager approved salary schedule or current collective bargaining agreement was not provided for audit. Additional audit time was spent performing other procedures to ascertain if payroll disbursements were fairly stated in the financial statement.
3. Nine deviations were noted of 43 employees tested for payroll, consisting of the following:
 - a. Time records were not provided for 2 employees tested. Time records were maintained at the building level and were not submitted to the administration office. Records either could not be located for audit or were in a closed building.
 - b. Compensation paid did not agree to time records provided for 7 employees tested.

The deviations projected to the population as a whole totaled \$2,486,192. The impact of the projected errors on the financial statement resulted in a disclaimer of opinion of Disbursements Cash and Investment Balances in the *Independent Auditor's Report*.

Journal Entries

Journal entries were made by the Treasurer without evidence of an oversight or approval process to ensure the accuracy and classification of the receipts and disbursements to the proper funds and accounts.

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

Financial Transactions and Reporting

1. One individual prepared the Form 9 financial reports required to be submitted to the Indiana Department of Education (IDOE) every six months. These reports were the basis for the financial statement. The same individual was extensively involved with the disbursement and cash reconciliation processes.
2. The School Corporation combined the General fund and the DUAB \$15M fund for reporting purposes. The DUAB \$15M fund was used to account for common school loan proceeds received to pay critical vendors and cash flow to pay payroll. The two funds should not have been combined for reporting purposes, as they had two separate purposes.
3. In prior years, the School Corporation did not pay its Third Party Service Provider (Provider) for child nutrition services, even though it had received child nutrition grant reimbursements with which to make the payments. In response, the IDOE began retaining the amounts due to the School Corporation for child nutrition grant reimbursements. The IDOE directly paid the Provider for services to the School Corporation from the retained grant reimbursements. Any excess between the grant reimbursements and Provider payments was held in reserve by the IDOE for the School Corporation.

These transactions were not properly recorded by the School Corporation. This resulted in the understatement of School Lunch fund receipts and disbursements by \$7,353,473 and \$8,852,973, respectively, for the audit period.

4. The School Corporation's fund activity was posted to the ledger by fund and year, which resulted in the same fund having multiple fund numbers. These multiple funds by year were properly combined for reporting purposes. The School Corporation posted journal entries to close prior year fund numbers, which resulted in "intra-fund transfers" within the same fund. The intra-fund transfers were reported on the financial statement as transfers in and out and should not have been since the activity was within the same fund. This resulted in the overstatement of transfers in and transfers out by \$75,186,903.

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

Context

The lack of controls and inaccurate and incomplete recording were systemic issues throughout the audit period. The lack of sufficient competent evidential documentation to support the disbursement and related cash and investment balances was limited to payroll transactions.

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:

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(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. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls that segregated key functions and would have ensured proper posting of financial transactions, proper retention of supporting documentation for payroll, and proper financial reporting.

Effect

The failure to provide sufficient competent evidential matter to support the calculation of payroll disbursements prevented the determination of whether or not the disbursements and related cash and investment balances of the School Corporation were fairly presented for the period July 1, 2016 to June 30, 2018.

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that sufficient competent evidential matter is properly documented and retained.

We recommended that the School Corporation establish a system of internal controls, including segregation of duties, to ensure accurate recording and reporting of financial transactions.

Views of Responsible Officials

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

FINDING 2018-002

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 2016-003.

Condition

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

The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. An oversight or review process had been put in place; however, the control was not effective as evidenced by the errors on the SEFA identified below.

Context

Due to the lack of effective internal controls, the following errors resulted in the understatement of the Total Federal Awards Expended on the SEFA by \$5,319,181 and \$6,277 as of June 30, 2017, and June 30, 2018, respectively:

1. The School Breakfast Program expenditures were understated by \$1,675,325 as of June 30, 2017.
2. The National School Lunch Program expenditures, including commodities, were understated by \$3,281,153 as of June 30, 2017.
3. The Summer Food Service Program for Children expenditures were understated by \$53,210 as of June 30, 2017, and overstated by \$89,553 as of June 30, 2018.
4. The Child and Adult Care Food Program expenditures were understated by \$31,568 and \$94,184 as of June 30, 2017 and 2018, respectively.
5. The Fresh Fruit and Vegetable Program expenditures were understated by \$304,143 as of June 30, 2017.

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(Continued)

6. The Army Junior Reserve Officers' Training Corps (JROTC) grant expenditures were understated by \$41,183 as of June 30, 2017.
7. The Adult Education - Basic Grants to States expenditures were overstated by \$73,831 and \$58,533 as of June 30, 2017 and 2018, respectively.
8. The Medical Assistance Program expenditures were understated by \$6,430 as of June 30, 2017, and overstated by \$22,461 as of June 30, 2018.
9. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) expenditures were understated \$82,640 as of June 30, 2018.

Audit adjustments were proposed, accepted 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:

"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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

§ 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.
- (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 controls to ensure that federal expenditures will be 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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls

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): 2016-17, 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-004 and 2016-005.

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had designed a process to ensure that claims were reviewed prior to payment; however, evidence of the review process was not documented. In addition, the School Corporation requested reimbursement from the Indiana Department of Education for indirect costs related to utilities and maintenance and custodial wages and benefits without a proper system of oversight, review, or approval.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2016-17, 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash 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 2016-006.

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 Cash Management compliance requirement.

The School Corporation failed to comply with the cash management requirements that they limit their net cash resources in the School Lunch fund to 3 months average expenditures of the food service program. The School Corporation maintained excessive net cash resources in 6 of the 24 months of the audit period. The School Corporation had not developed a process to analyze and monitor the balances of the School Lunch fund.

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

Beginning in December 2014, the Indiana Department of Education (IDOE) retained the requested reimbursements due to the School Corporation and held these amounts in trust. The IDOE began paying the School Corporation's food service management company directly from the amounts in trust on behalf of the School Corporation, as well as paying the School Corporation for its related food service expenses. The net remaining funds were retained by the IDOE, which contributed to the School Corporation's excessive net cash resources during the audit period.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The net cash resources in the School Lunch fund exceeded 3 months average expenditures for 6 of the 24 months of the audit period.

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). . . ."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

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

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

Cause

The School Corporation's management had not developed or implemented a system of effective internal controls that would have ensured compliance with the grant agreement and the Cash 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 cash management requirements could have resulted in the loss of federal funds to the School Corporation.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2018-005

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

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2016-17, 2017-2018

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-007.

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 compliance requirements listed above.

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

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

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

In September 2017, the School Corporation posted the ending cash balance of the trust as of July 1, 2016. The School Corporation also recorded the activity of the amounts held in trust; however, the amounts posted were the net activity and not the gross amounts of the receipts and disbursements.

Between July 2016 and June 2018, the IDOE processed and retained \$9,570,700 of reimbursement requests that were not properly receipted or recorded in the School Corporation's School Lunch fund. Furthermore, the IDOE processed and remitted \$8,852,973 of payments to the management company that were not properly recorded in the School Corporation's School Lunch fund.

The IDOE reimbursed the School Corporation \$1,277,431 for amounts that the School Corporation paid for the Child Nutrition Cluster program; these were recorded in the School Corporation's records.

Reporting - Annual Financial Report

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

Reporting - Verification Summary Report

The Verification Summary Report for the 2017-2018 school year, prepared by the management company, was not supported by the School Corporation's records. The Verification Summary Report listed 6,050 as the total number of students as of October 31, 2017. According to the support provided by the School Corporation, the actual total number of students as of October 31, 2017, totaled 5,313.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. None of the claims for reimbursement or payments to the management company, processed by the IDOE, were properly recorded in the School Corporation's records for the gross amounts. In addition, both of the required AFRs and one of the two annual verification summary reports tested were inaccurate.

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). . . ."

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

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, . . .

(1)(i) Maintain a nonprofit school food service; . . ."

7 CFR 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

2 CFR 200.302(b) states in part:

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

(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. . . ."

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

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used.

The income total and expense total boxes should agree exactly with total revenues and total expenditures recorded in the SFA's accounting records. All expenses need to be allocated appropriately to all existing programs."

7 CFR 245.6a(h) states in part:

"Verification reporting and recordkeeping requirements. By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

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

Cause

The School Corporation's management had not developed or implemented a system of effective internal controls that would have ensured compliance with the grant agreement and the reporting and school food accounts requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Reporting and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

FINDING 2018-006

Subject: Child Nutrition Cluster, Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, Special Education Grants to States, Special Education Preschool Grants, Title I Grants to Local Educational Agencies

CFDA Numbers: 10.553, 10.555, 10.559, 84.027, 84.173, 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 2016-17, 2017-2018, 14216-017-PN01, 14217-017-PN01, 18611-017-PN01, 45716-017-PN01, 45717-017-PN01, 18619-017-PN01, 16-4690, 17-4690, 18-4690, S010A150014, S010A160014, S010A170014

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 and Suspension and Debarment compliance requirement.

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

Procurement - All Programs

The School Corporation's procurement policies had not been updated to comply with the procurement standards outlined in 2 CFR 200.318 through 2 CFR 200.326. The current policy contained language that encouraged a local based business preference. Local businesses received a 10 percent preference for non-bid purchases between \$1 and \$50,000, and a 5 percent preference for purchases between \$50,000 and \$150,000. This is noncompliant with federal guidance.

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

Procurement - Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies

The School Corporation did not follow procurement requirements for purchases which exceeded the simplified acquisition threshold of \$150,000. Bids were not obtained for these purchases, nor was a rationale documented for their use of any other method outlined in 2 CFR 200.320. Both of the Special Education Cluster (IDEA) procurement transactions and three of the four Title I Grants to Local Educational Agencies procurement transactions tested did not comply.

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$3,500 from an adequate number of sources, which fell under the small purchase procedures. All three of the Special Education Cluster (IDEA) procurement transactions and nine of the eighteen Title I Grants to Local Educational Agencies procurement transactions tested did not comply.

When a noncompetitive proposal method was used, the School Corporation did not document the rationale for the method of procurement.

Suspension and Debarment

The School Corporation had a procedure in place to ensure compliance with suspension and debarment requirements; however, it was not effective and did not ensure compliance for all contracts over \$25,000.

The School Corporation did not verify that vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal award programs when a purchase order was not used to encumber the budget and track the disbursements related to the contract.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation had not updated their policy to be in compliance with state and federal guidelines. Approximately 94 percent of the disbursements from the Child Nutrition Cluster were vendor procurements. Approximately 35 percent of the disbursements from special education grant funds were vendor procurements. Approximately 70 percent of the disbursements from Title I grant funds were vendor procurements. Approximately 8 percent of the disbursements from Title I grant funds were supported by contracts over \$25,000. Four of the six contracts tested from Title I grant were paid without a purchase order generated; thus, they did not comply with the suspension and debarment requirements.

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

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 200.319(b) states:

"The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract."

2 CFR 200.320 states in part:

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

(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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . .

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

(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 non-competitive 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."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the procurement and suspension and debarment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal 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.

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

FINDING 2018-007

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14216-017-PN01, 14217-017-PN01,
18611-017-PN01, 45715-019-PN01,
45716-017-PN01, 45717-017-PN01,
18619-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-017.

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 compliance requirements listed above.

Employee benefits requested for reimbursement were estimated based on a percentage applied to the gross payroll and were not based on the actual benefits posted to the ledger. A subsequent review process was not designed or implemented for the employee benefits posted to the grant funds to ensure that they were for activities allowable, were in accordance with allowable costs/cost principles, and were within the period of performance.

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:

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

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 compliance requirements listed above.

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 listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-008

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-017-PN01, 14217-017-PN01,
18611-017-PN01, 45715-019-PN01,
45716-017-PN01, 45717-017-PN01,
18619-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-018.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreements and the Cash Management and Reporting compliance requirements.

Prior to submitting the reimbursement requests (reports of grant disbursements), the Special Education Director reviewed the reimbursement requests, which were prepared by the Special Education Administrative Assistant.

However, the employee benefits requested for reimbursement were estimated based on a percentage applied to the gross payroll and were not based on the actual benefits posted to the ledger. A subsequent review process was not designed or implemented for the employee benefits posted to the grant funds to ensure that they were posted accurately and properly reported for reimbursement. In a comparison of the amounts requested for reimbursement to the disbursements recorded in the School Corporation's ledger, the requested amounts either exceeded or were less than actual disbursements in most instances.

Furthermore, the School Corporation did not always receipt funds into the correct grant funds after reimbursements were received. In some cases, funds were requested for the disbursement activity of one fund, but reimbursements were receipted into a different grant fund. In other cases, disbursement activity for several grant funds was comingled on reimbursement requests. When the School Corporation was reimbursed for these disbursements, funds were receipted into one single grant fund and did not reimburse the grant funds from where the funds were originally spent. This led to some grant funds being over-reimbursed and some grant funds being under-reimbursed.

Of the 45 reimbursement requests tested, funds claimed for reimbursement exceeded disbursements per the detail ledger by \$14,802. When the sample errors were projected to the population as a whole, likely errors of \$49,589 were identified.

Context

The lack of effective internal controls and noncompliance were systemic issues throughout the audit period. Of the 45 reimbursement requests tested, 26 of the requests did not agree with the detail ledgers. Amounts claimed for reimbursement were receipted into the incorrect grant fund for 15 of the 45 reimbursement requests tested.

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:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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). . . ."

34 CFR 80.21(d) states in part: "*Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

34 CFR 80.20(b) states in part:

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

(1) *Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

2 CFR 200.302(b) states in part:

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

(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 . . .

(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 an effective system of internal controls that would have ensured compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

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

Effect

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

Questioned Costs

Known questioned costs of \$14,802 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Cash Management and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2018-009

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

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): 14216-017-PN01, 14217-017-PN01,
18611-017-PN01, 45715-019-PN01,
45716-017-PN01, 45717-017-PN01,
18619-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-019.

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 level of effort and earmarking requirements.

Amounts reported for maintenance of effort (MOE) were not supported by the School Corporation's records for the school years ended June 30, 2017 and 2018.

For the school year ended June 30, 2017, which was reported in the fiscal year 2018 grant application for MOE, the amounts reported did not agree with the School Corporation's ledger for the time period. Amounts reported either exceeded or were less than actual disbursements in most instances.

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(Continued)

Another contributing factor was that benefits reported as MOE were calculated at 25 percent of the gross payroll expenditures for special education instead of the actual costs expended. Based on our calculations, the School Corporation did not meet the maintenance of effort requirement by \$913,825.

For the school year ended June 30, 2018, which was reported in the fiscal year 2019 grant application for MOE, the amounts reported did not agree with the School Corporation's ledger for the time period. Amounts reported either exceeded or were less than actual disbursements in most instances. Employee benefits were calculated at 20 percent of total expenditures spent on special education. This double counted benefits that were already included in this calculation. Because of this, the amounts reported were overstated and the maintenance of effort requirement was not met.

The School Corporation did not expend the required amount of funds earmarked for the Non-Public Proportionate Share. The School Corporation spent \$1,097 of the required \$7,218 earmarked for the Non-Public Proportionate Share for the fiscal year 2016 grant.

Context

The lack of effective internal controls and noncompliance were systemic issues throughout the audit period. Maintenance of effort requirements were not met either year during the audit period. The School Corporation did not expend the required amount of funds earmarked for the Non-Public Proportionate Share for the fiscal year 2016 grant that ended within the audit period.

Criteria

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

"The auditee shall: . . .

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR section 300.203(b) states:

"Compliance standard.

(1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

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

- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in § 300.204 and 300.205:
- (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

34 CFR section 300.132(a) states:

"General. To the extent consistent with the number and location of children with disabilities who are enrolled by their parents in private, including religious, elementary schools and secondary schools located in the school district served by the LEA, provision is made for the participation of those children in the program assisted or carried out under part B of the Act by providing them with special education and related services, including direct services determined in accordance with § 300.137, unless the Secretary has arranged for those children under the by-pass provisions in §§ 300.190 through 300.198."

34 CFR 80.12(c) states in part: "If an awarding agency decides to impose such conditions, the awarding official will notify the grantee or subgrantee as early as possible, in writing, . . ."

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

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

The School Corporation's management had not established a proper internal control structure that would have ensured compliance with the grant agreement and the level of effort and earmarking requirements.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2018-010

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): 14216-017-PN01, 14217-017-PN01,
18611-017-PN01, 45715-019-PN01,
45716-017-PN01, 45717-017-PN01,
18619-017-PN01

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 2016-020.

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 reporting requirements.

Controls were not in place at the School Corporation to ensure that required reports were submitted and, when submitted, were accurate and supported by the School Corporation's records.

Final Expenditure Reports

Final Expenditure Reports for the fiscal year 2015 Special Education Preschool Grants, fiscal year 2016 Special Education Grants to States, and fiscal year 2016 Special Education Preschool Grants were required to be submitted during the audit period. However, the Final Expenditure Reports were not submitted until March 2019 when auditors requested the reports. The Final Expenditure Reports were not accurate. Final Expenditure Reports were based on funds received and not on actual grant fund disbursements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CEIS Quarterly Monitoring Reports

CEIS Quarterly Monitoring Reports were not provided for four out of six quarters required during the audit period. We were unable to verify that the School Corporation met the reporting requirements for CEIS Quarterly Monitoring Reports.

Proportionate Share Monitoring Reports

Proportionate Share Monitoring Reports were not provided for audit for four out of six quarters required during the audit period. We were unable to verify that the School Corporation met the reporting requirements for Proportionate Share Monitoring Reports.

December 1 Child Count

Supporting documentation was not retained for the December 1 Child Count for December 1, 2016. Because of this, the accuracy of this report could not be verified.

Context

The lack of controls, the noncompliance, and the failure to retain supporting documentation were systemic issues during the audit period. Out of 16 reports tested, 11 were not submitted during the audit period, 1 did not agree to supporting documentation, and we were unable to verify the accuracy of 1 report due to no supporting documentation being maintained. All 3 Final Expenditure Reports were determined to be inaccurate.

Criteria

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

"The auditee shall: . . .

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20(b) states in part:

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

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

2 CFR 200.302(b) states in part:

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

- (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 . . ."

34 CFR 80.12(c) states in part: "If an awarding agency decides to impose such conditions, the awarding official will notify the grantee or subgrantee as early as possible, in writing, . . ."

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

511 IAC 7-46-1 states in part:

"(a) On December 1 of each year, each public agency must count the number of students:

- (1) eligible for special education and related services; and
- (2) receiving services on that date.

If December 1 is not a school or program day, the closest instructional day must be used for the count. . . .

(c) The child count report must include the following:

- (1) A count of students enrolled on December 1 in a school or program operated by a public agency that provides students with either:
 - (A) special education and related services that meet the standards of this article; or
 - (B) only special education services if related services are not necessary for the students to benefit from special education.
- (2) A count of students with disabilities enrolled by their parents in nonpublic schools who are eligible for special education and related services and receive special education or related services, or both, in accordance with 511 IAC 7-34, provided must meet the standards of this article.
- (3) A count of students specified by age on the child count date from three (3) years of age through the school year in which the students become twenty-two (22) years of age within each disability category.
- (4) Students placed in nonpublic residential special schools under 511 IAC 7-42-13. . . ."

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(Continued)

34 CFR 74.53(b) states in part:

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

2 CFR 200.333 states in part:

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that documentation was maintained and available for audit related to the reporting requirements. In addition, a system of internal controls was not developed to ensure that required reports were submitted timely and accurately.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure documentation will be maintained and available for audit, as well as to comply 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.

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

FINDING 2018-011

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Period of Performance, Special Tests and
Provisions - Participation of Private School Children

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-008 and 2016-012.

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 compliance requirements listed above.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Participation of Private School Children

A process of review of the gross payroll distribution reports by the Title I Director had been established; however, the control was not consistently implemented. In addition, an oversight, review, or approval process of the employee benefits posted to the grant funds was not designed or implemented.

Period of Performance

A review process of the reimbursement reports had been established; however, the control was not properly implemented to ensure that grant funds were obligated and disbursed within the period of performance.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 compliance requirements listed above.

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 listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Views of Responsible Officials

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

FINDING 2018-012

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-008.

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

Condition

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

The following vendor disbursements charged to the Title I Grants to Local Educational Agencies grant fund were not in compliance with the Allowable Costs/Cost Principles compliance requirement. These disbursements totaled \$63,137 and were considered questioned costs.

1. The School Corporation paid \$9,406 for messenger online communications for the School Corporation as a whole.
2. The School Corporation paid \$32,316 for child restraints in school buses without supporting documentation to demonstrate authorization by the pass-through entity.
3. The School Corporation paid \$16,755 for one year of service and migration to new Library and Textbook Manager Hosted Service without supporting documentation to demonstrate authorization by the pass-through entity.
4. The School Corporation paid \$4,660 in salaries without supporting documentation of personnel activity reports, such as time and effort logs, or Semi-Annual Certifications.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 71 account payable vouchers or payroll supporting documentation tested, 17 (24 percent) contained errors described above in the *Condition*.

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 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

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

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

These records must:

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

Cause

The School Corporation's management had not developed or implemented a system of effective internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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

Known questioned costs of \$63,137 were identified, as detailed in the *Condition*.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2018-013

Subject: Title I Grants to Local Educational Agencies - Cash Management, 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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, 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 2016-009.

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 and reporting requirements.

The School Corporation had not established effective controls to ensure that requests for reimbursement (reports) were supported by adequate documentation. The School Corporation maintained supporting documentation to verify the amounts requested on the reports; however, there were several instances when the supporting documentation did not agree with what was requested for reimbursement. Although the reports were reviewed and approved by an official other than the preparer, the documentation did not provide the reviewer with accurate and sufficient detail to effectively review and verify the reports submitted by the School Corporation.

One request for reimbursement tested included \$27,709 of expenses related to the Supporting Effective Instruction State Grants (Title II) and not the Title I Grants to Local Educational Agencies.

Context

The lack of effective controls and the noncompliance were systemic issues throughout the audit period. Of the 15 reimbursement requests tested, 6 of the requests did not have adequate documentation to support the amount requested for reimbursement.

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). . . ."

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

2 CFR 200.302(b) states in part:

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

- (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 . . .
- (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. . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the passthrough entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

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

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the cash management and reporting requirements.

Effect

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

Questioned Costs

Known questioned costs of \$27,709 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the Cash Management and Reporting compliance requirements.

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

Views of Responsible Officials

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

FINDING 2018-014

Subject: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior year finding number was 2016-010.

Condition

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

Eligibility for Title I was determined on the Eligible School Summary of the Title I application. The Indiana Department of Education prepopulated the School Corporation's enrollment and poverty numbers based upon Real Time (RT) data reports that are updated weekly by the School Corporation. The nonpublic enrollment and poverty figures were manually entered at the School Corporation. Evidence of a review or approval over the eligibility summary prepared in the grant application for the 2016-2017 and 2017-2018 school years was not retained or presented for audit.

Summary data of nonpublic enrollment and poverty was sent to the School Corporation by participating nonpublic schools. The summary data should have been accompanied by a list of students and their poverty (socioeconomic) status as supporting documentation. Of the seven nonpublic schools for fiscal years 2016-2017 and 2017-2018, the School Corporation did not retain or obtain supporting documentation for five of the nonpublic schools. We are unable to test the accuracy of the information entered into the Title I application for nonpublic enrollment and poverty figures.

In addition, the RT reports for 2015-2016 and 2016-2017 were tested to determine if the School Corporation's enrollment and poverty figures were accurate for the 2016-2017 and 2017-2018 Title I applications, respectively. Testing determined that the poverty (socioeconomic) status was incorrectly reported for students in 2015-2016 and 2016-2017 based upon comparison to the School Corporation's student management system. Five students were erroneously reported as poverty and should not have been and fourteen students were reported as paid students, but according to state documentation were poverty status. The School Corporation was not in compliance with the Eligibility requirement.

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

Context

The lack of controls, lack of supporting documentation for nonpublic enrollment and poverty figures, and noncompliance were systemic issues throughout the audit period. Five of the seven nonpublic schools enrollment and poverty supporting documentation was not provided for audit. Of the 71 students tested on the RT reports, 19 (27 percent), were reported with an incorrect socioeconomic status.

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). . . ."

34 CFR 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

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 documentation was maintained and available for audit related to the eligibility requirements. In addition, a system of internal controls was not developed to ensure that RT reports were accurate and supported by the School Corporation's student management system.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the eligibility requirements.

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure that documentation will be maintained and available for audit, as well as to comply with the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2018-015

Subject: Title I Grants to Local Educational Agencies - Equipment
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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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 equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure that the equipment records were maintained in accordance with 2 CFR 200.313.

The School Corporation had not created a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. The School Corporation did not comply with the equipment requirements. A complete list of equipment acquired with federal awards was not maintained. Also, the equipment inventory was determined to be incomplete. The inventory did not identify equipment location, federal percentage of purchase amount, federal award identification number as the source of funding, who holds the title, and disposal dates.

The School Corporation was required to maintain property records and perform a physical inventory with the results reconciled with the property records at least once every two years. A reconciled physical inventory was not provided for audit.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 16 acquisitions selected for testing, none were included on the asset listing for Title I. Equipment acquisitions totaled \$1,264,803, which is approximately 11 percent of the disbursements from Title I grant funds for the audit period.

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

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 200.313 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. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the 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 2018-016

Subject: Title I Grants to Local Educational Agencies - Level of Effort and Earmarking

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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior year finding numbers were 2016-008 and 2016-011.

Condition

The School Corporation had not established an effective internal control system related to the grant agreements and the level of effort - supplement not supplant and earmarking requirements.

We were unable to determine the methodology and analysis used to allocate state and local funds to each school within the School Corporation. Therefore, we were unable to test if the School Corporation provided the schools all of the non-Federal funds they would otherwise have received from the School Corporation if it were not operating a schoolwide program.

Earmarking requirements for Homeless and Parental Involvement were not met for the 2014-2015 and 2015-2016 Title I grants, which ended during the audit period. Summer school transportation costs of \$143,728 were erroneously coded as homeless disbursements, which overstated the School Corporation's homeless disbursements.

Context

The lack of controls, lack of an allocation methodology, and noncompliance were systemic issues throughout the audit period. The lack of an allocation methodology to ensure that supplement not supplant occurred was due in part to the financial condition of the School Corporation.

All parental involvement disbursements were removed from the ledger for the 2014-2015 Title I grant and \$19,820 was disbursed for the 2015-2016 grant. However, per the Title I applications, the School Corporation was required to disburse \$59,758 and \$79,713 for the 2014-2015 and 2015-2016 grants, respectively.

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

The Homeless earmarking requirements for the 2014-2015 and 2015-2016 grants were \$6,859 and \$19,000, respectively. The School Corporation disbursed \$1,000 and \$12,017 for the 2014-2015 and 2015-2016, respectively.

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). . . ."

20 USC 6321(b)(1) states in part:

"A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds."

20 USC 6318(a)(3) states in part:

"(A) In general - Each local educational agency shall reserve at least 1 percent of its allocation under subpart 2 to assist schools to carry out the activities described in this section, except that this subparagraph shall not apply if 1 percent of such agency's allocation under subpart 2 for the fiscal year for which the determination is made is \$5,000 or less. Nothing in this subparagraph shall be construed to limit local educational agencies from reserving more than 1 percent of its allocation under subpart 2 to assist schools to carry out activities described in this section. . . ."

(D) Use of Funds - Funds reserved under subparagraph (A) by a local educational agency shall be used to carry out activities and strategies consistent with the local educational agency's parent and family engagement policy, including not less than 1 of the following:

- (i) Supporting schools and nonprofit organizations in providing professional development for local educational agency and school personnel regarding parent and family engagement strategies, which may be provided jointly to teachers, principals, other school leaders, specialized instructional support personnel, paraprofessionals, early childhood educators, and parents and family members.
- (ii) Supporting programs that reach parents and family members at home, in the community, and at school.
- (iii) Disseminating information on best practices focused on parent and family engagement, especially best practices for increasing the engagement of economically disadvantaged parents and family members.

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

- (iv) Collaborating, or providing subgrants to schools to enable such schools to collaborate, with community-based or other organizations or employers with a record of success in improving and increasing parent and family engagement.
- (v) Engaging in any other activities and strategies that the local educational agency determines are appropriate and consistent with such agency's parent and family engagement policy."

20 USC 6313(c)(3) states in part:

"(A) In general - A local educational agency shall reserve such funds as are necessary under this part, determined in accordance with subparagraphs (B) and (C), to provide services comparable to those provided to children in schools funded under this part to serve—

- (i) homeless children and youths, including providing educationally related support services to children in shelters and other locations where children may live;
- (ii) children in local institutions for neglected children; and
- (iii) if appropriate, children in local institutions for delinquent children, and neglected or delinquent children in community day programs. . . .

(C) Homeless children and youths

Funds reserved under subparagraph (A)(i) may be—

- (i) used to provide homeless children and youths with services not ordinarily provided to other students under this part, including providing—
 - (I) funding for the liaison designated pursuant to section 11432(g)(1)(J)(ii) of title 42; and
 - (II) transportation pursuant to section 11432(g)(1)(J)(iii) of such title."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that an allocation methodology policy and analysis was in place to ensure that the School Corporation level of effort - supplement not supplant requirements were met.

In addition, the School Corporation's management had not established a proper internal control structure that would have ensured compliance with the grant agreement and the earmarking requirements.

Effect

The failure to provide an allocation methodology and analysis prevented the determination of the School Corporation's compliance with the level of effort - supplement not supplant requirements.

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure that a written allocation methodology policy and analysis will be composed and followed as well as comply with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2018-017

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Participation of Private School Children

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): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not designed and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

The School Corporation was not in compliance with ensuring that planned services for private school students were provided. The School Corporation assigned each private school a school code and budget account and object codes based upon the approved grant budget. No disbursements were posted to some of the account and object codes for the private schools budgets; thus, the planned services were not provided. A review or approval process had not been established to ensure that planned services were provided.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. For 8 of the 13 account and object codes selected for testing, there were no disbursements posted which indicated that the planned services were not provided.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.55(a) states in part:

"After timely and meaningful consultation with appropriate officials of private schools, an LEA must—

- (1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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 participation of private school children requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Views of Responsible Officials

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

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

FINDING 2018-018

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): 16-4690, 17-4690, 18-4690, S010A150014, S010A160014, S010A170014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-015.

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 removed 22 students from the cohort without the proper supporting documentation; reasons for removal included removal for transfer or removal for transfer out of state. Additionally, 5 students were reported as missing without the proper documentation required for classifying a student as missing.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. We tested 71 of the 330 students listed on the 2017 and 2018 Graduation Cohort Status Report as mobile. Of the 71 students tested, 27 students did not have the required supporting documentation to substantiate removing them from the cohort for mobility reasons.

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). . . ."

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

34 CFR 200.19(b)(1)(ii)(B) states in part:

"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. . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and 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 noncompliance to go undetected. Noncompliance with the grant agreement and the annual report card, high school graduation rate requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-019

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-4690, 17-4690, 18-4690,
S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Modified Opinion

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

Condition

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation's locally developed written test security policy did not specify that secure test materials should not be delivered to school buildings more than one week in advance of test administration or specify that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration.

In addition, the School Corporation's procedures related to oversight and review of the process of implementing required assessment system security was not effective. Supporting documentation was not consistently maintained for the test administrators who received the required education and the testing policies at the school building level. The sign in sheets of the employees' attendance of the required training was not provided for all employees.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 71 employees tested, 29 did not have documentation to support that the required training was received.

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

The administrative regulation 511 IAC 5-5-5 states in part:

". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year."

Indiana Assessment Program Manual, Chapter 13, Section 9, Part D states in part:

"Every school corporation, public school, charter school, accredited nonpublic school, Choice school, or other test administration location that administers tests under the Indiana Assessment System MUST have a locally developed written test security policy. The test security policy developed by the entity should:

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

- Specify that secure test materials should not be delivered to school buildings more than one week (preferably less) in advance of test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the Examiner's Manual) more than 24 hours in advance of test administration; and . . .

Locally developed written test security policies should include, but not be limited to, the following: . . .

2. Ensure all appropriate staff receive test administration and test security training prior to testing. . . .
5. Communicate to all appropriate staff at least once annually the standards for determining what is ethical or appropriate practice contained in the Code of Ethical Testing Practices and Procedures, as well as any additional local standards.
6. Define and clearly communicate at least once annually for all appropriate staff how staff implementation of test administration and test security standards and procedures will be monitored by school administrators. . . ."

Cause

The School Corporation's management had not developed an effective internal control system that would have ensured compliance with the grant agreements and the Special Tests and Provisions - Assessment System Security 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 effective internal controls to ensure compliance and comply with the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



Gary Community School Corporation

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

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

OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed at the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic problems, financial issues, and operational deficiencies across the Corporation. Prior to the appointment of the Emergency Manager, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager who had limited authority over financial decisions. The Fiscal Manager's contract was terminated effective August 10, 2017.

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Partial Corrective Action:

Despite the changes in personnel, the emergency management team developed an internal controls manual and a business services manual which was submitted to and approved by the Distressed Unit Appeals Board. The goal of both of the aforementioned manuals is to develop more efficient and effective business practices that also allow for segregation of duties.



(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

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FINDING 2016-003

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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FINDING 2016-005

Fiscal year in which the finding occurred: 2016
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Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-006

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-007

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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FINDING 2016-008

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

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FINDING 2016-009

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FINDING 2016-010

Fiscal year in which the finding occurred: 2016
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Contact Person Responsible for Corrective Action: Dr. Pete Morikis
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FINDING 2016-013

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FINDING 2016-014

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Contact Phone Number: 219-886-6400

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Management introduced a new emergency manager at the end of 2018, is in the process of hiring a new chief financial officer, and is restructuring the Department of Federal programs after the director's position was vacated.

The emergency management team, DUAB, and managers of various state departments continue to assess, document, and address structural and organizational matters associated with the Corporation including prior audit findings. The Emergency Management Team will provide an action plan related to this audit finding in approximately 60-90 days after the hiring of a chief financial officer.

Partial Corrective Action:

Despite the changes in personnel, the emergency management team developed an internal controls manual and a business services manual which was submitted to and approved by the Distressed Unit Appeals Board. The goal of both of the aforementioned manuals is to develop more efficient and effective business practices that also allow for segregation of duties.



(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



Gary Community School Corporation

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

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

OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-016

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed at the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic problems, financial issues, and operational deficiencies across the Corporation. Prior to the appointment of the Emergency Manager, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager who had limited authority over financial decisions. The Fiscal Manager's contract was terminated effective August 10, 2017.

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Partial Corrective Action:

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(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



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OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-017

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed at the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic problems, financial issues, and operational deficiencies across the Corporation. Prior to the appointment of the Emergency Manager, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager who had limited authority over financial decisions. The Fiscal Manager's contract was terminated effective August 10, 2017.

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Partial Corrective Action:

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(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



Gary Community School Corporation

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

OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-018

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

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Partial Corrective Action:

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(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



Gary Community School Corporation

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OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-019

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed at the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic problems, financial issues, and operational deficiencies across the Corporation. Prior to the appointment of the Emergency Manager, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager who had limited authority over financial decisions. The Fiscal Manager's contract was terminated effective August 10, 2017.

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Partial Corrective Action:

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(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



Gary Community School Corporation

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

OFFICE OF THE EMERGENCY MANAGER
Dr. Peter Morikis, Emergency Manager
pmorikis@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-020

Fiscal year in which the finding occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Pete Morikis
Contact Phone Number: 219-886-6400

Status of Audit Finding:

As of August 1, 2017, an Emergency Manager was placed at the Gary Community Schools Corporation. The Emergency Manager was appointed due to serious academic problems, financial issues, and operational deficiencies across the Corporation. Prior to the appointment of the Emergency Manager, the Corporation's fiscal matters were administered by a State appointed Fiscal Manager who had limited authority over financial decisions. The Fiscal Manager's contract was terminated effective August 10, 2017.

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Partial Corrective Action:

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(Signature)

Emergency Manager

(Title)

3/11/19

(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

On December 31, 2017 the Emergency Manager GCSC submitted a detailed Internal Controls Manual and Procedure Manual to the Distressed Unit Appeals Board (DUAB). On May 2, 2018 the Emergency Manager submitted a revised Internal Controls Manual and Procedure Manual to the DUAB. GCSC implemented the Internal Controls and Procedures upon submittal to the DUAB. For 2019 and beyond GCSC will adhere to the adopted Internal Controls Manual and Procedures Manual. For 2019 and beyond GCSC will also continue to conduct internal training sessions for GCSC staff on the contents of the Internal Controls Manual and Procedure Manual.

In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will separate incompatible activities related to Cash and Investment balances.
2. GCSC will maintain a proper system of oversight and review for collections, receipts, deposit preparation and actual deposits.
3. GCSC will maintain a proper system of oversight and review of disbursements and bank reconciliations.
4. GCSC will maintain proper oversight and review process to ensure bi-weekly payroll claims are accurate for payment and posting.
5. GCSC will ensure employees are paid the correct rate of pay by reviewing and verifying pay amounts.

FINDING 2018-001

- 6.
7. GCSC will retain approved salary schedules and collective bargaining agreements.
8. GCSC will maintain evidence of oversight and approval of journal entries to ensure accuracy and classification of the receipts and disbursements to the proper fund and account.
9. GCSC will maintain separation between the employees who prepare the Form 9 and disbursement and cash reconciliation processes.
10. GCSC will not combine funds with separate purposes for reporting purposes
11. GCSC will properly record transactions for a Third-Party Service Provider for child nutrition services.
12. GCSC will properly post activity to the proper funds in the proper periods.

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3B, 3D, 3E and 3F.

Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure the federal grant information entered and submitted in the Indiana Gateway for Government Unites financial reporting system is reviewed, verified and approved prior to preparing the SEFA.

FINDING 2018-002

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 3F.

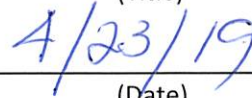
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will maintain a process to ensure claims are reviewed, verified and approved prior to payment.
2. GCSC will maintain a proper system of oversight, review and approval for indirect costs related to utilities and maintenance and employee wages and benefits.

FINDING 2018-003

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 3F.

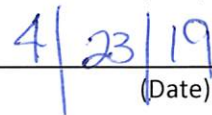
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

On December 31, 2017 the Emergency Manager GCSC submitted a detailed Internal Controls Manual and Procedure Manual to the Distressed Unit Appeals Board (DUAB). On May 2, 2018 the Emergency Manager submitted a revised Internal Controls Manual and Procedure Manual to the DUAB. GCSC implemented the Internal Controls and Procedures upon submittal to the DUAB. For 2019 and beyond GCSC will adhere to the adopted Internal Controls Manual and Procedures Manual. For 2019 and beyond GCSC will also continue to conduct internal training sessions for GCSC staff on the contents of the Internal Controls Manual and Procedure Manual.


In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will comply with the cash management requirement that limits net cash resources in the School Lunch fund to three months average expenditures of the food services program.
2. GCSC will maintain a process to analyze and monitor the balance of the School Lunch fund.

FINDING 2018-004

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 3F.

Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)

4 | 23 | 19

(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will properly record all gross, not net, receipts and disbursements of the Child Nutrition Cluster in the accounting records.
2. GCSC will prepare the School Lunch Annual Financial Report based on the records of activity and cash balances.
3. GCSC will review, verify and approve the Verification Summary Report to ensure the accuracy of GCSC data completed to the Management Company data.

FINDING 2018-005

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3D, 3E and 3F.

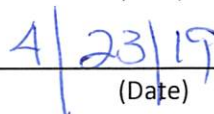
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

Prior to August 1, 2017 GCSC was operated by an elected Board of Trustees and a Superintendent. All decisions and actions were under the direction of the Board and carried out by the Superintendent. Effective August 1, 2017 an Emergency Manager assumed operating control of GCSC. The elected Board of Trustees no longer had authority over GCSC. All decisions and actions are under the direction of the Emergency Manager carried out by the Emergency Manager Team and GCSC staff.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC procurement policies will be updated to eliminate the local business preference.
2. GCSC will follow procurement requirements of purchases which exceed the simplified acquisition threshold of \$150,000.
3. GCSC will comply with procurement policies that adhere to Indiana statutory and Federal requirements and obtain price or rate quotes for purchases of goods and services from an adequate number of sources.
4. GCSC will document the rationale for the method of procurement for noncompetitive proposals.

FINDING 2018-006

5. GCSC will verify that vendors with contracts over \$25,000 are not excluded or disqualified from participation in federal award programs when a purchase order is not used to encumber the budget to tracts the disbursements related to the contract.

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 3C.

Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)

4/23/19

(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC employee benefits requested for reimbursement will be based on actual benefits posted to the ledger not estimated based on a percentage applied to gross payroll.
2. GCSC will ensure employee benefits posted to grant funds are for activities that are allowable and within the period of performance.

FINDING 2018-007

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3A, 3B and 3F.

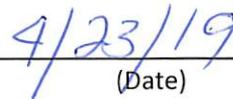
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC employee benefits requested for reimbursement will be based on actual benefits posted to the ledger not estimated based on a percentage applied to gross payroll.
2. GCSC will receipt and funds into and disburse funds from the correct grant funds after reimbursement is received.

FINDING 2018-008

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3A, 3B and 3F.

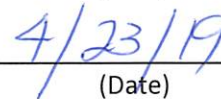
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-009

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure amounts reported for maintenance of effort are supported by GCSC records.
2. GCSC employee benefits will be reported based on actual benefits and not calculated as a percentage of gross payroll.
3. GCSC will expend the required amount of funds earmarked for the Non-Public Proportionate Share.

FINDING 2018-001

FINDING 2018-009

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3A, 3B and 3F.

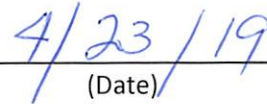
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-010

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will submit all required reports including, but not limited to, final expenditure reports, CEIS Quarterly Monitoring Reports, Proportionate Share Monitoring Reports and December 1 Child Count on time and accurately as was demonstrated with the December 1 child count for 2018.

FINDING 2018-010

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 2F.

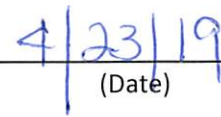
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-011

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will review and verify the gross payroll distribution reports for every pay period.
2. GCSC will review and verify the employee benefits posted to grant funds for every pay period.
3. GCSC will review and verify gross payroll and employee benefits are obligated and disbursed within the period of performance.

FINDING 2018-011

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3A, 3B and 3F.

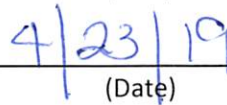
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-012

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure vendor disbursements charged to Title I Grants to Local Educational Agencies grant fund are in compliance with the Allowable Costs/Cost Principals compliance requirement.

FINDING 2018-012

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 2C, 2D and 2F.

Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-013

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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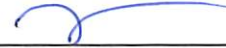
In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure requests for reimbursement (records) are supported by adequate and accurate documentation.
2. GCSC will ensure reports (records) reviewed for accuracy have sufficient detail to effectively review and verify the reports submitted.

FINDING 2018-013

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 2C, 2D and 2F.

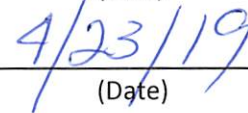
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-014

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will review, verify for accuracy, approve and retain evidence and documentation for the Eligible School Summary of the Title I grant application.
2. GCSC will review, verify for accuracy and retain supporting documentation of the summary data of nonpublic enrollment and poverty by participating nonpublic schools.
3. GCSC will review, verify for accuracy and retain supporting documentation of the Real Time Data reports to determine enrollment and poverty figures.

FINDING 2018-014

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 2B, 2D, 2E and 2F.

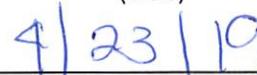
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-015

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will maintain a control system to ensure adequate safeguards to prevent loss, damage and theft of property.
2. GCSC will maintain a complete list of equipment acquired with federal awards which includes equipment location, federal percentage of purchase amount, federal award identification number as the source of funding, who holds the title and disposal dates.

FINDING 2018-015

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 2C, 2D, 2F and 2H.

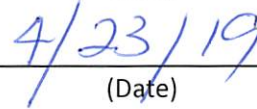
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-016

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will document and retain on file the methodology and analysis used to allocated State and local funds to each school in the corporation.
2. GCSC will adhere to earmarking requirements for Homeless and Parental Involvement.
3. GCSC will review, verify for accuracy, and retain evidence and documentation for summer school transportation and homeless costs and disbursements.

FINDING 2018-016

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 3D, 3E and 3F.

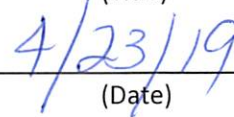
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-017

Contact Person Responsible for Corrective Action:
Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:
219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

Description of Corrective Action Plan:

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure planned services to private school students are provided by maintaining a review and approval process for postings to budget account and object codes for the private schools' budgets.

FINDING 2018-017

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in sections 2F and 2G.

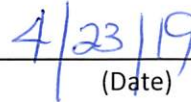
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2018-018

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC will ensure compliance with requirements related to the grant agreement and Special Tests and Provisions Annual Report Card, High School Graduation Rare compliance by maintaining proper supporting documentation.

FINDING 2018-018

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are found in the Internal Controls Manual in section 2F.

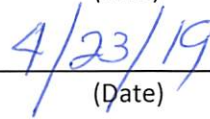
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)



Gary Community School Corporation

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

CORRECTIVE ACTION PLAN

FINDING 2018-019

Contact Person Responsible for Corrective Action:

Ms. Lisa Rosinko, Chief Operations and Fiscal Officer

Contact Phone Number:

219-881-5536

Views of Responsible Official:

In general, GCSC agrees with the audit finding. As the Emergency Manager and Emergency Manager Team referenced below assumed responsibility for operations adherence and compliance to internal controls and federal and state requirements improved. Internal controls systems, processes and oversight is now in place for 2019 and beyond.

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In 2019 and beyond, GCSC will implement the following actions.

1. GCSC procedures will specify that secure test materials should not be delivered to school buildings more than one week in advance of test administration.
2. GCSC procedures will specific teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration.
3. GCSC will ensure oversight and review the test administrators who received the required education and the testing policies are effective.

FINDING 2018-019

4. GCSC will ensure sign in sheets of the employees' attendance of the required training is retained on file.

Specific steps, duties and responsibilities and GCSC staff to fulfill these actions are not found in the Internal Controls Manual.

The GCSC Chief Academic Officer will secure test materials, ensure teachers and staff are not allowed access to materials, ensure test administrators receive required education and testing policies are effective and sign-in sheets for trainings are retained.

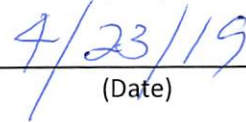
Anticipated Completion Date:
September 30, 2019



(Signature)

Emergency Manager

(Title)



(Date)

OTHER REPORTS

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