

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

SUPPLEMENTAL COMPLIANCE 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



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

This report is supplemental to our audit report of the Gary Community School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

April 25, 2019

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL 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.

*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:

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- 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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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:

"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)

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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*.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.
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. . . .

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (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."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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). . . ."

*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 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

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

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; . . ."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

*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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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). . . ."

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."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

*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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . .

(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."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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:

(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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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:

(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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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.

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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

"The auditee shall: . . .

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.
- (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."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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:

(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, . . ."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . ."

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. . . ."

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

**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

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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:

- (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  
FEDERAL FINDINGS  
(Continued)

*Effect*

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

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.
- (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:

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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.

**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

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

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 . . .

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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.

*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  
FEDERAL FINDINGS  
(Continued)

***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.

*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.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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). . . ."

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.

*Questioned Costs*

There were no questioned costs identified.

GARY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(Continued)

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

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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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  
FEDERAL FINDINGS  
(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.



# **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.

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 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



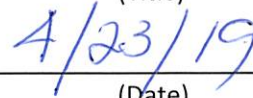
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(Signature)

Emergency Manager

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(Title)



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(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.

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 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.

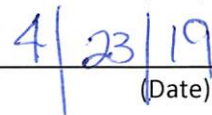
Anticipated Completion Date:  
September 30, 2019



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

Emergency Manager

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



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(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)

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(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.

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 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.

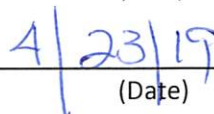
Anticipated Completion Date:  
September 30, 2019



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(Signature)

Emergency Manager

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



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(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.

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 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 tracks 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



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(Signature)

Emergency Manager

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

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(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:

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 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.

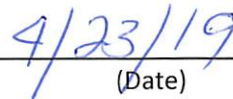
Anticipated Completion Date:  
September 30, 2019



\_\_\_\_\_  
(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:

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 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.

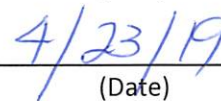
Anticipated Completion Date:  
September 30, 2019



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

Emergency Manager

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



\_\_\_\_\_  
(Date)



# **Gary Community School Corporation**

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

## **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.

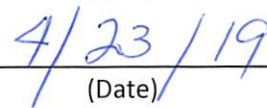
Anticipated Completion Date:  
September 30, 2019



\_\_\_\_\_  
(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.

#### **Description of Corrective Action Plan:**

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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.

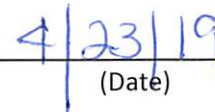
Anticipated Completion Date:  
September 30, 2019



\_\_\_\_\_  
(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



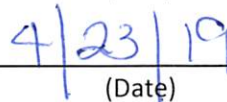
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(Signature)

Emergency Manager

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(Title)



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(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



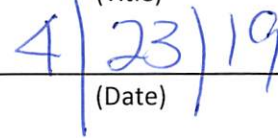
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(Signature)

Emergency Manager

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(Title)



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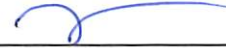
In 2019 and beyond, GCSC will implement the following actions.

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.

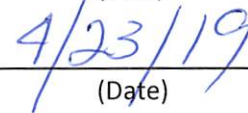
Anticipated Completion Date:  
September 30, 2019



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(Signature)

Emergency Manager

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(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.

#### **Description of Corrective Action Plan:**

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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.

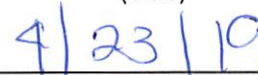
Anticipated Completion Date:  
September 30, 2019



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(Signature)

Emergency Manager

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(Title)



\_\_\_\_\_  
(Date)



# **Gary Community School Corporation**

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## **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



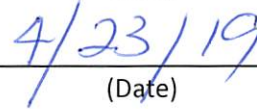
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(Signature)

Emergency Manager

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(Title)



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(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.

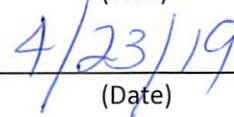
Anticipated Completion Date:  
September 30, 2019



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(Signature)

Emergency Manager

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(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.

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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



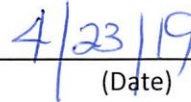
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(Signature)

Emergency Manager

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(Title)



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(Date)



# **Gary Community School Corporation**

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

## **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



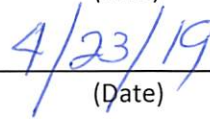
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(Signature)

Emergency Manager

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(Title)



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(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



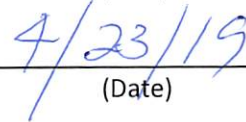
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(Signature)

Emergency Manager

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(Title)



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(Date)

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Reports B45357 and B49001, entitled *FINANCIAL CONCERNS*.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2017 and 2018:

Fund	Amount Overdrawn As of June 30,	
	2017	2018
General	\$ -	\$ 7,020,081
Debt Service	1,576,051	-
Capital Projects	1,040,651	-
School Transportation	9,644,143	-
Alternative Education	-	19,271
Extra-Curricular Activities	5,283	-
Imp. Sp. Education	8,860	-
Sp. Ed. Improv	5,101,738	-
Sp. Ed. Preschool	132,615	-
Adult Ed. Vouchers	4,597	4,597
Adult Ed. Remediation	4,710	4,710
Title III - English Proficiency Migrant	571	571
Technology	394,187	41,053
Title I - Grants to LEAs	2,212	2,212
State Tax	42	6
Garnishments	259	313
Credit Union	460	460
Retirees Life Insurance	208	44,407
Group Accident Insurance	50	-

The table above excluded overdrawn grant funds awaiting reimbursement as required by Indiana Department of Education. The primary factor for overdrawn funds was disbursements in excess of receipts.

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

**TIMELY PAYMENT**

A similar comment also appeared in prior Reports B45357 and B49001, entitled *FINANCIAL CONCERNS*.

Liabilities were incurred in excess of available cash, which required School Corporation staff to make judgments regarding which vendors to pay from the available cash, after the payment of payroll. Significant amounts owed are detailed below.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

1. Pensions - Remittances to the Indiana Public Retirement System (INPRS) for Teachers and Public Employees Retirement funds for employer provided pension payments were not remitted timely in the prior audit period. The School Corporation failed to remit the pension contributions on a consistent biweekly payroll basis.

Due to the history of late remittances, the INPRS intercepted portions of the School Corporation's basic state grant distributions before they were electronically transferred from the Auditor of State to the School Corporation. Between July 2016 and June 2018 \$5,355,752 was diverted to the INPRS from the Auditor of State.

After funds were diverted, the School Corporation was required to submit payroll information to INPRS to apply diverted funds. When the payroll information was submitted, the payment to INPRS was recorded in the ledger. Beginning in 2018, the submissions by the School Corporation were not made timely to INPRS to apply the diverted funds. As a result, \$846,833 of diverted funds were not recorded in the ledger and appear as a reconciling item in the bank reconciliation.

2. Sanitary Services - The School Corporation paid a total of \$616,930 through 52 transactions processed within the audit period. All sanitary payments made within the audit period were not remitted timely and ranged between 88 and 264 days late. Although not paid by the School Corporation, invoices that were not paid in full by the due date were charged a 10 percent late fee.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

### **COMPENSATION AND BENEFITS**

A similar comment also appeared in prior Reports B45357 and B49001, entitled *COMPENSATION AND BENEFITS*.

#### *Approval for Compensation Rates*

Most employees of the School Corporation were covered by collective bargaining agreements. The collective bargaining agreements for paraprofessionals expired December 31, 2007, but the School Corporation continued to operate under the terms of those agreements. The agreement for secretarial staff also expired on December 31, 2007, but included the following language, "This agreement shall remain in full force and effect unless modified by the parties." The agreement for maintenance employees was effective from January 1, 1997 through December 31, 1999, but stated, "and is to remain in effect until a new agreement is approved."

Pay schedules included in the agreements were not current as raises had been granted since the end of the term of the agreements. The Human Resources Department prepared and maintained manual and/or electronic pay schedules to record salaries after pay increases. Because the bargaining agreements were not current, and there were various methods used to track compensation rates, it was difficult to substantiate that the salaries and wages paid to some staff were in compliance with School Board approved rates.

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*Individual Contracts*

1. Teacher contracts were not issued for any teaching staff during the audit period.
2. The School Corporation did not use the contracts prescribed for use by state statutes as follows:
  - a. Some substitute teachers were paid at regular teacher rates of pay if they were considered "Long term temporary employees." The teacher was not provided with a "Temporary Teacher Contract," which included the rate of pay, and the signature of the employee and members of the School Board. The bargaining agreement did not cover this rate of pay.

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)

The board of school trustees may fix and pay the compensation of noninstructional employees, classify such persons or services and adopt schedules of salaries or compensation, IC 20-26-5-4(8). Such salary or compensation schedules may be made a part of the board minutes without entering into written contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Indiana Code 6-1.1-20.3-8.5(b) states in part:

"Notwithstanding any other law, an emergency manager of a distressed political subdivision appointed under this chapter shall assume and exercise all of the power, authority, and responsibilities of both the executive and the fiscal body of the political subdivision during the time the political subdivision is a distressed political subdivision. An emergency manager's power, authority, and responsibilities include the following:

- (1) Adopting, amending, and enforcing ordinances and resolutions relating to or affecting the fiscal stability of the political subdivision. However, the emergency manager may impose only those taxes or fees that the political subdivision is authorized by law to impose.
- (2) Subject to existing labor contracts, setting the salaries and other compensation of the political subdivision's employees.
- (3) Reviewing existing labor contracts and collective bargaining agreements, and negotiating and entering into labor contracts and collective bargaining agreements. . . ."

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b. Teachers were paid additional compensation for various activities, including summer school or providing students with after school assistance in core academic areas. The additional compensation was supported by "Supplementary Assignment" sheets, which were completed by the employees and approved by the school principals, and other administrators. This form was used in lieu of a supplemental service teacher's contract.

Indiana Code 20-28-6-2(a) states:

"A contract entered into by a teacher and a school corporation must:

- (1) be in writing;
- (2) be signed by both parties; and
- (3) contain the:
  - (A) beginning date of the school term as determined annually by the school corporation;
  - (B) number of days in the school term as determined annually by the school corporation;
  - (C) total salary to be paid to the teacher during the school year;
  - (D) number of salary payments to be made to the teacher during the school year; and
  - (E) number of hours per day the teacher is expected to work, as discussed pursuant to [IC 20-29-6-7](#)."

Indiana Code 20-28-6-5 states in part:

"The regular teacher's contract must be used statewide without amendment and must contain, in addition to the items in section 2(a)(3) of this chapter:

- (1) the manner of salary payment; . . ."

Indiana Code 20-28-6-6(a) states:

"A temporary teacher's contract shall be used only for employing:

- (1) a teacher to serve in the absence of a teacher who has been granted a leave of absence by the school corporation for:
  - (A) engaging in defense service or in service auxiliary to defense service;
  - (B) professional study or advancement;
  - (C) exchange teaching;
  - (D) extended disability to which a licensed physician has attested; or
  - (E) serving in the general assembly; or

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(2) a new teacher for a position:

(A) that is funded by a grant outside the school funding formula for which funding is available only for a specified period or purpose; or

(B) vacated by a teacher who is under a regular contract and who temporarily accepts a teacher position that is funded by a grant outside the school funding formula for which funding is available only for a specified period or purpose."

Indiana Code 20-28-6-7(b) states: "The supplemental service teacher's contract shall be used when a teacher provides professional service in evening school or summer school employment, except when a teacher or other individual is employed to supervise or conduct noncredit courses or activities."

**TRAINING ON INTERNAL CONTROL STANDARDS**

The School Corporation was unable to provide documentation that the necessary personnel had completed the minimum internal control standards training as required by Indiana Code 5-11-1-27(g).

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**DEBIT CARD TRANSACTIONS**

Two debit cards were established by the former CFO of the School Corporation. Written authorization by the Emergency Manager of the School Corporation for the procurement and use of the debit cards was not provided for audit. The debit cards were in use from April 2018 through January 2019. Once the current Emergency Manager learned of the debit cards, they were cancelled. The debit cards, although assigned to two individuals, were used by multiple employees to make purchases or payments.

There were 125 transactions made on the two debit cards that totaled \$87,740. Transactions were not recorded in the School Corporation's accounting system as a disbursement until support was provided for the transaction.

Due to the lack of supporting documentation, 32 debit card transactions, which occurred between August 2018 and January 2019, totaling \$22,102 were not recorded in the School Corporation's records as of February 2019. These transactions continue to be carried on the monthly bank reconcilements as reconciling items.

Recorded debit card transactions were tested. Six of the twenty-eight transactions (21 percent) did not have adequate documentation provided to support the amounts disbursed, which totaled \$9,683.

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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 financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 6-1.1-20.3-8.5(b) states in part:

"Notwithstanding any other law, an emergency manager of a distressed political subdivision appointed under this chapter shall assume and exercise all of the power, authority, and responsibilities of both the executive and the fiscal body of the political subdivision during the time the political subdivision is a distressed political subdivision. An emergency manager's power, authority, and responsibilities include the following: . . .

(5) Approving payrolls and other claims against the political subdivision before payment.

(6) Making, approving, or disapproving the following: . . .

(B) An expenditure. . . ."

**CONTRACT DISCLOSURE COMPLIANCE**

A similar comment also appeared in prior Reports B45357 and B49001, entitled *CONTRACT DISCLOSURE COMPLIANCE*.

Indiana Statute required the posting of various contracts and agreements on the School Corporation website. The employment contracts for administrators, principals, and other certificated employees were not posted on the School Corporation website.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

Indiana Code 20-26-5-4.7 states:

"(a) This section does not apply to a:

(1) superintendent of a school corporation; or

(2) certificated employee (as defined in [IC 20-29-2-4](#)) that is represented by an exclusive representative (as defined in [IC 20-29-2-9](#)) under [IC 20-29](#).

(b) The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

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(Continued)

**TRANSPORTATION SERVICES**

A similar comment also appeared in prior Report B51021, entitled *TRANSPORTATION SERVICES*.

The School Corporation had a contract with a transportation provider covering the 2017-2018 school year.

Attempts to determine if payments made by the School Corporation were in compliance with the contract were hindered due to the following:

1. Invoices did not always include details of bus routes and rates to support the amount invoiced.
2. Invoices included rates charged that could not be verified to the rates specified in the contract.

We tested 6 of the 15 transportation provider claims. The 6 claims consisted of 72 vendor invoices totaling \$3,294,180. Of the 72 vendor invoices tested, 53 (74 percent), of the vendor invoices were insufficiently detailed or included rates charged that could not be verified to rates specified in the contract. This amounted to \$3,039,312, or 92 percent of invoices that were noncompliant with contract terms.

Additionally, 5 vendor invoices tested contained items that were not specified within the contract. These invoices totaled \$143,535.

Indiana Code 5-11-10-1.6 states in part:

" . . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim; . . ."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (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)

**SUBSEQUENT EVENTS - TIMELY RECORDING OF PAYROLL TRANSACTIONS**

The School Corporation began using a new payroll system on January 1, 2019. The new payroll system was not compatible with the School Corporation's financial accounting system. The School Corporation has not recorded payroll transactions in the financial accounting system since the switch to the new payroll system. As of March 31, 2019, \$7,795,269 of payroll and service fees disbursements were not recorded in the financial software system as follows:

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2019	Gross Wages and Employer Taxes	Payroll Software Service Fees	Totals
January	\$ 2,166,195	\$ 15,214	\$ 2,181,409
February	2,190,553	10,094	2,200,647
March	3,405,061	8,151	3,413,212
Totals	\$ 7,761,809	\$ 33,459	\$ 7,795,268

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

GARY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2019, with Dr. Peter Morikis, Emergency Manager; Mary Comer, Treasurer; Lisa Rosinko, Chief Operations and Financial Officer; Eric Parish, MGT Consulting team member; and Sheleita Miller, Consultant.