

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF HAMMOND

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/05/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Theophilus Boone, Jr. Alesia Y. Pritchett	07-01-17 to 03-31-19 04-01-19 to 06-30-20
Superintendent of Schools	Dr. Walter J. Watkins Scott E. Miller	07-01-17 to 04-15-19 04-16-19 to 06-30-20
President of the School Board	Deborah M. White Anna Mamala	07-01-17 to 11-01-19 11-02-19 to 12-31-19



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of Hammond (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 18, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 18, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the School City of Hammond's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

As described in item 2019-001 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Special Test and Provisions - Annual Report Card, High School Graduation Rate that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2017 to June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated December 18, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

December 18, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SCHOOL CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 2017-18	\$ -	\$ 1,874,895	\$ -	\$ -
			FY 2018-19	-	-	-	1,831,105
				<u>-</u>	<u>1,874,895</u>	<u>-</u>	<u>1,831,105</u>
Total - School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch and Snack Program			FY 2017-18	-	5,708,576	-	-
School Lunch and Snack Program			FY 2018-19	-	-	-	5,538,366
Commodities			FY 2017-18	-	626,144	-	-
Commodities			FY 2018-19	-	-	-	636,793
				<u>-</u>	<u>-</u>	<u>-</u>	<u>636,793</u>
Total - National School Lunch Program				<u>-</u>	<u>6,334,720</u>	<u>-</u>	<u>6,175,159</u>
Summer Food Service Program for Children (SFSPC)	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2017-18	-	178,630	-	-
Summer Food Service Program			FY 2018-19	-	-	-	192,136
				<u>-</u>	<u>-</u>	<u>-</u>	<u>192,136</u>
Total - Summer Food Service Program for Children (SFSPC)				<u>-</u>	<u>178,630</u>	<u>-</u>	<u>192,136</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>8,388,245</u>	<u>-</u>	<u>8,198,400</u>
Child and Adult Care Food Program (CACFP)	Indiana Department of Education	10.558					
			FY 2017-18	-	76,893	-	-
			FY 2018-19	-	-	-	66,370
				<u>-</u>	<u>-</u>	<u>-</u>	<u>66,370</u>
Total - Child and Adult Care Food Program (CACFP)				<u>-</u>	<u>76,893</u>	<u>-</u>	<u>66,370</u>
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
			FY 2017-18	-	157,601	-	-
			FY 2018-19	-	-	-	134,093
				<u>-</u>	<u>-</u>	<u>-</u>	<u>134,093</u>
Total - Fresh Fruit and Vegetable Program				<u>-</u>	<u>157,601</u>	<u>-</u>	<u>134,093</u>
Total - Department of Agriculture				<u>-</u>	<u>8,622,739</u>	<u>-</u>	<u>8,398,863</u>
<u>Department of Defense</u>							
Army Junior Reserve Officers' Training Corps (JROTC)	Army ROTC	12.000					
			FY 2017-18	-	18,026	-	-
			FY 2018-19	-	-	-	8,765
				<u>-</u>	<u>-</u>	<u>-</u>	<u>8,765</u>
Total - Army Junior Reserve Officers' Training Corps (JROTC)				<u>-</u>	<u>18,026</u>	<u>-</u>	<u>8,765</u>
Total - Department of Defense				<u>-</u>	<u>18,026</u>	<u>-</u>	<u>8,765</u>

SCHOOL CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Education							
Adult Education - Basic Grants to States	Center of Workforce Innovations	84.002					
			CWI-AE-06 PY16	-	38,183	-	-
			CWI-AE-05- PY18 AE8-01	-	-	-	118,259
			CWI-AE-06-PY17	-	143,600	-	14,597
Total - Adult Education - Basic Grants to States				-	181,783	-	132,856
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			S010A160014	-	1,935,619	-	-
			S010A170014	-	3,879,914	-	1,447,279
			S010A160014	-	103,520	-	-
			S010A170014	-	-	-	3,629,756
			S010A170014	-	93,519	-	149,969
Total - Title I Grants to Local Educational Agencies				-	6,012,572	-	5,227,004
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education Grants to States			14216-024-PN01 H027A150084	-	60,638	-	-
			14217-024-PN01 H027A160084	-	2,917,882	-	56,195
			18611-024-PN01	-	-	-	3,343,156
Total - Special Education Grants to States				-	2,978,520	-	3,399,351
Special Education Preschool Grants	Indiana Department of Education	84.173					
			18619-024-PN01 H173A17	-	111,971	-	-
			19619-024-PN01 H173A180104	-	-	-	115,635
Total - Special Education Preschool Grants				-	111,971	-	115,635
Total - Special Education Cluster (IDEA)				-	3,090,491	-	3,514,986
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
			17-4700-4710 V048A160014	-	73,996	-	-
			18-4700-4710	-	464,956	-	76,463
			19-4700-4710 V048A180014	-	-	-	514,346
Total - Career and Technical Education - Basic Grants to States				-	538,952	-	590,809
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
			S196A160015	-	24,699	-	-
			S196A170015	-	37,029	-	17,552
			S196A180015	-	-	-	36,063
Total - Education of Homeless Children and Youth				-	61,728	-	53,615

SCHOOL CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
English Language Acquisition State Grants	Indiana Department of Education	84.365	01116-055-PN01 S365A150014	-	29,079	-	-
			01117-054-PN01 S365A160014	-	212,463	-	28,982
			01118-052-PN01	-	76,626	-	189,800
			01119-053-PN01 S365A180014	-	-	-	100,326
Total - English Language Acquisition State Grants				-	318,168	-	319,108
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367	FY 2017	-	16,000	-	-
			S367A150013	-	342,835	-	-
			S367A160013	-	341,224	-	298,737
			S367A170013	-	-	-	259,307
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	700,059	-	558,044
Total - Department of Education				-	10,903,753	-	10,396,422
<u>Department of Health and Human Services</u>							
Head Start	Geminus Corporation	93.600	2017	-	139,786	-	-
			2017	-	11,171	-	-
			2017	-	984,219	-	-
			2017	-	29,333	-	-
			2018	-	299,541	-	1,119,124
			2018	-	322	-	11,110
			2019	-	-	-	-
			2019	-	-	-	413,053
Total - Head Start				-	1,464,372	-	1,543,287
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778	FY 2018	-	114,504	-	-
			FY 2019	-	-	-	100,548
Total - Medical Assistance Program				-	114,504	-	100,548
Total Medicaid Cluster				-	114,504	-	100,548
Total - Department of Health and Human Services				-	1,578,876	-	1,643,835
Total federal awards expended				\$ -	\$ 21,123,394	\$ -	\$ 20,447,885

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

SCHOOL CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Unmodified
84.367	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Qualified
93.600	Supporting Effective Instruction State Grants	Unmodified
	Head Start	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,247,138

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters reportable.

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

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): 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 report. The prior audit finding number was 2017-003.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective controls to ensure that documentation regarding the reason for a student being removed from the high school cohort graduation rate for mobility reasons was prepared, reviewed, and retained.

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

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 13 students tested, 7 were not supported by documentation that substantiated their removal 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). . . ."

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 200.19(b) states in part:

"High schools—

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)

(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

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

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

(2) *Transitional graduation rate.*

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

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

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

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

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

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

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the compliance requirement listed above, and would have ensured that adequate documentation was maintained and available for audit.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the compliance requirement listed above. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the compliance requirement listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

Views of Responsible Officials

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

FINDING 2019-002

Subject: Special Education Cluster (IDEA) - Earmarking

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14217-024-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Condition and Context

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 earmarking requirements.

The School Corporation did not have internal controls in place to ensure that its expenditures were at least an amount that was the same proportion of the total subgrant as the number of nonpublic school students with disabilities within its boundaries was to the total of students with disabilities of the same age range.

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not meet the earmarking requirements for the 14217-024-PN01 grant award. Based upon the documentation provided for non-public schools expenditures, the School Corporation expended \$28,389 of the required \$72,242 earmarked for the Non-Public Proportionate Share for fiscal year 2017-2018.

The lack of effective internal controls was a systemic issue that occurred throughout the audit period. The noncompliance was isolated to 2017-2018.

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 . . ."

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 developed a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

SCHOOL CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the compliance requirement listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: July 1, 2015 through June 30, 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Christine Clarahan

Contact Phone Number: 219-933-2400 x 1056

Status of Audit Finding:

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

On April 16, 2018 an update to our Procurement Plan/process included EPLS Verification for all department purchases. EPLS documentation is attached to every purchase order (the only exception to this is if there are multiple purchase orders for the same company in the same day – then the EPLS documentation is attached to only one of the purchase orders for that specific date).

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

Since May 2018, all Department of Food and Nutrition one-year contract extensions for contractors that met the terms set forth in the original contract, have been put before the School Board of Trustees for approval.

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

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

(Signature)

Director of Food & Nutrition

(Title)

10/24/2019

(Date)

Board of School Trustees

Carlotta Blake-King

Manny Candelaria Jr.

Anna Mamala

Lisa Miller

Deborah White

School City of Hammond

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Scott E. Miller, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Catherine Danko

Contact Phone Number: 219-933-2400 ext,1062

Status of Audit Finding:

- Immediately upon the finding, Title One obtained price or rate quotes for purchases of goods or services exceeding \$3,500.
- It is noted on the purchase orders requisitions that quotes were obtained and are on file in the Title One office.
- If there is only a single source provider available for the purchase of goods or services, that is noted on the purchase order requisition as well.

Catherine Danko

(Signature)

Director of Title One

(Title)

October 31, 2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

Board of School Trustees

Carlotta Blake-King
Manny Candelaria Jr.
Anna Mamala
Lisa Miller
Deborah White

School City of Hammond

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(219) 933-2400



Scott Miller, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: July 1, 2015 through June 30, 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Theresa Mayerik, Assistant Superintendent for Academic Services

Contact Phone Number: 219-933-2400 ext. 1041

Status of Audit Finding:

Since the finding in April of 2018, the School City of Hammond had entered a Student Withdrawal Form into the STINow/Chalkable Student System that summarizes all the steps that need to be taken prior to withdrawal of a student from the system. In addition, the withdrawal form requires a principal, parent and student signature.

In addition to the withdrawal form, the School City of Hammond also utilizes the RT/EM Exit Codes distributed by the IDOE in 2018 and has placed the exit codes into the student system for easy access for the secretaries in the building.

Despite the above efforts, the School City of Hammond realizes that we are not where we need to be with withdrawals. We have changed our student system to PowerSchool and now need to have the process and paperwork outlined and placed in PowerSchool. The curriculum team under the direction of the Assistant Superintendent for Academic Services will outline a withdrawal process for the School City of Hammond. Once we have outlined the process with our new system, we will need to train our administrators and our secretarial staff to ensure that the process is followed with fidelity. In addition, we need to add a monitoring piece. The office of Student Services will be responsible for monitoring the fidelity of the withdrawal process. Therefore, the status of this finding is still a work in progress.

Theresa A Mayerik
(Signature)

Assistant Superintendent
(Title)

12-18-19
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

School City of Hammond

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Scott E. Miller, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 7/1/15-6/30/17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Catherine Danko

Contact Phone Number: 219-933-2400 ext, 1062

Status of Audit Finding:

- After the Comparability Report is completed, Title One sends it to either the Executive Director of Business Services or the Chief Financial Officer for review and signature.

Catherine Danko

(Signature)

Director of Title One

(Title)

October 31, 2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

Board of School Trustees

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Area Career Center

www.hammond.k12.in.us/acc

5727 Sohl Avenue • Hammond, IN 46320 (219) 933-2428



Area Career and Technical Education District 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: July 1, 2015 through June 30, 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Mary Beth Nickolaou
Contact Phone Number: 219-933-2428 ext. 1910

Contact Person Responsible for Correction Action:

Mary Beth Nickolaou, CTE Director-District 2/Area Career Center Principal/Carl Perkins Administrator
(219) 933-2428 ext. 1910

View of Responsible Official: The CTE Director/Carl Perkins Administrator concurs with the finding 2017-005 that the Final Expenditure Report did not have the written approval of the authorized Perkins Administrator and only had the written approval of the Superintendent of the School City of Hammond. The findings also indicate that the Perkins Administrator Reimbursement forms were not properly reviewed by the Perkins Grant Administrator at that time. However, since this audit the final report and the reimbursement forms have followed the correction actions.

Description of Corrective Action Plan: The CTE Director/Perkins Administrator continues to review and approve the Final Expenditure Report for the Carl Perkins Grant by her signature and date, in addition to the signature and date of the Superintendent of Schools. IN addition, the Final Expenditure Report will be presented to the School City of Hammond Office of Business for their records.

Before signing the Perkins Reimbursement Forms for submission to the state, the grant administrator will verify by his or her signature that the receipts match the Perkins Reimbursement form which also coincides with the Balance by Fund in the SCH Financial System. A copy will for forward to the School City of Hammond Office of Business Services for their records.

Anticipated Completion Date 4/25/2019

Mary Beth Nickolaou
(Signature)

ACC PRINCIPAL CTE DIRECTOR
(Title)

12/5/19
(Date)

School City of Hammond

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

School City of Hammond

41 Williams Street • Hammond, Indiana 46320
(219) 933-2400 • (219) 554-4517 FAX



Mr. Scott E. Miller, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Robert Prieboy, Director of Special Education
Contact Phone Number: 219-933-2400 ext.1081
Views of Responsible Official: We concur with the finding and will implement a corrective action.

Description of Corrective Action Plan: In order to ensure compliance with requirements related to the grant agreement and the Special Education Cluster (IDEA) – Earmarking, the School City of Hammond will put into place an effective internal control system.

Special Education employees providing services to Non-Pub schools will complete a timesheet reflecting actual hours worked servicing Special Education students in Non-Pub schools. The timesheets will be turned into our Financial Secretary and double checked and approved by the Director. Once the actual worked hours are approved, that portion of the employee's salary and applicable benefits will be paid from the Part B Grant, Non-Pub Proportionate Share Earmarking, using a Budget Account Code that will reflect the service provided as well as the location of the Non-Pub school that received the services.

We do not intend to spend any portion of the Non-Pub Proportionate Share on supplies although should the situation arise all supply orders will not be combined with School City of Hammond supplies. Supply orders will have proper documentation showing who is requesting the supply, the Non-Pub student name and the Non-Pub school needing the supply. The Budget Account Code to pay for the supplies will reflect the location of the Non-Pub school that the supplies are for.

The spending of the Non-Pub Proportionate Share will be evaluated monthly to make sure we are on track with the required Earmarking.

Anticipated Completion Date: Ongoing

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

Director of Special Education

12/17/19

OTHER REPORTS

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