

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/18/2020



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>          | <u>Term</u>          |
|----------------------------------|--------------------------|----------------------|
| Treasurer                        | Lela Simmons             | 07-01-17 to 06-30-20 |
| Superintendent<br>of Schools     | Dr. Paige McNulty        | 07-01-17 to 08-14-19 |
|                                  | Tamara Pol               | 08-15-19 to 09-17-19 |
|                                  | Dee-Etta Wright          | 09-18-19 to 06-30-20 |
| President of the<br>School Board | Stacy Winfield           | 07-01-17 to 12-31-17 |
|                                  | Vanessa Hernandez-Orange | 01-01-18 to 12-31-20 |



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 EAST CHICAGO, 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 East Chicago (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 February 27, 2020, 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

***School City of East Chicago's Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

February 27, 2020



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 EAST CHICAGO, LAKE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

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

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

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2019-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Child Nutrition Cluster regarding Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the 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)

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in item 2019-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

As described in item 2019-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

***Qualified Opinion on Special Education Cluster (IDEA)***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* 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 Special Education Cluster (IDEA) for the period of July 1, 2017 to June 30, 2019.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the possible effects of the matter 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.

***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 2019-008. Our opinion on the 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.

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)

**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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-007 and 2019-008 to be significant deficiencies.

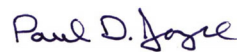
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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.

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)

**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 February 27, 2020, 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

February 27, 2020

## 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 EAST CHICAGO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-18 | Total<br>Federal Awards<br>Expended<br>06-30-18 | Passed Through<br>to Subrecipient<br>06-30-19 | Total<br>Federal Awards<br>Expended<br>06-30-19 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| <b>Department of Agriculture</b>                                    |                                     |                           |  |   |   |   |   |
| <b>Child Nutrition Cluster</b>                                      |                                     |                           |  |   |   |   |   |
| School Breakfast Program  | Indiana Department of Education     | 10.553                    |  |   |   |   |   |
| School Breakfast Program  |                                     |                           | FY 2016-2017   | \$ -  | \$ 314,604                                      | \$ -  | \$ -  |
| School Breakfast Program  |                                     |                           | FY 2017-2018   | -   | 650,953   | -   | 307,992   |
| School Breakfast Program  |                                     |                           | FY 2018-2019   | -   | -   | -   | 556,289   |
| <b>Total - School Breakfast Program</b>                             |                                     |                           |  | <b>-</b>                                      | <b>965,557</b>                                  | <b>-</b>                                      | <b>864,281</b>                                  |
| <b>National School Lunch Program</b>                                |                                     |                           |  |   |   |   |   |
| National School Lunch Program                                       | Indiana Department of Education     | 10.555                    |  |   |   |   |   |
| National School Lunch Program                                       |                                     |                           | FY 2016-2017   | -   | 649,399   | -   | -   |
| National School Lunch Program                                       |                                     |                           | FY 2017-2018   | -   | 1,327,222                                       | -   | 645,035   |
| National School Lunch Program                                       |                                     |                           | FY 2018-2019   | -   | -   | -   | 1,232,113                                       |
| Commodities   |                                     |                           | FY 2017-2018   | -   | 222,481   | -   | -   |
| Commodities   |                                     |                           | FY 2018-2019   | -   | -   | -   | 224,252   |
| <b>Total - National School Lunch Program</b>                        |                                     |                           |  | <b>-</b>                                      | <b>2,199,102</b>                                | <b>-</b>                                      | <b>2,101,400</b>                                |
| <b>Summer Food Service Program for Children</b>                     |                                     |                           |  |   |   |   |   |
| Summer Food Service Program for Children                            | Indiana Department of Education     | 10.559                    |  |   |   |   |   |
| Summer Food Service Program for Children                            |                                     |                           | FY 2016-2017   | -   | 43,379  | -   | -   |
| Summer Food Service Program for Children                            |                                     |                           | FY 2017-2018   | -   | -   | -   | 67,879  |
| <b>Total - Summer Food Service Program for Children</b>             |                                     |                           |  | <b>-</b>                                      | <b>43,379</b>                                   | <b>-</b>                                      | <b>67,879</b>                                   |
| <b>Total - Child Nutrition Cluster</b>                              |                                     |                           |  | <b>-</b>                                      | <b>3,208,038</b>                                | <b>-</b>                                      | <b>3,033,560</b>                                |
| <b>Child and Adult Care Food Program</b>                            |                                     |                           |  |   |   |   |   |
| Child and Adult Care Food Program                                   | Indiana Department of Education     | 10.558                    |  |   |   |   |   |
| Child and Adult Care Program  |                                     |                           | FY 2016-2017   | -   | 33,276  | -   | -   |
| Child and Adult Care Program  |                                     |                           | FY 2017-2018   | -   | 98,657  | -   | 37,823  |
| Child and Adult Care Program  |                                     |                           | FY 2018-2019   | -   | -   | -   | 265,636   |
| <b>Total - Child and Adult Care Food Program</b>                    |                                     |                           |  | <b>-</b>                                      | <b>131,933</b>                                  | <b>-</b>                                      | <b>303,459</b>                                  |
| <b>Fresh Fruit and Vegetable Program</b>                            |                                     |                           |  |   |   |   |   |
| Fresh Fruit and Vegetable Program                                   | Indiana Department of Education     | 10.582                    |  |   |   |   |   |
| Fresh Fruit and Vegetable Program                                   |                                     |                           | FY 2016-2017   | -   | 27,125  | -   | -   |
| Fresh Fruit and Vegetable Program                                   |                                     |                           | FY 2017-2018   | -   | 119,781   | -   | 37,823  |
| Fresh Fruit and Vegetable Program                                   |                                     |                           | FY 2018-2019   | -   | -   | -   | 134,038   |
| <b>Total - Fresh Fruit and Vegetable Program</b>                    |                                     |                           |  | <b>-</b>                                      | <b>146,906</b>                                  | <b>-</b>                                      | <b>171,861</b>                                  |
| <b>Total - Department of Agriculture</b>                            |                                     |                           |  | <b>-</b>                                      | <b>3,486,877</b>                                | <b>-</b>                                      | <b>3,508,880</b>                                |

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant            | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-18 | Total<br>Federal Awards<br>Expended<br>06-30-18 | Passed Through<br>to Subrecipient<br>06-30-19 | Total<br>Federal Awards<br>Expended<br>06-30-19 |
|---|--|---------------------------|--|---|---|---|---|
| <b>Environmental Protection Agency</b>                              |  |                           |  |   |   |   |   |
| State Clean Diesel Grant Program                                    | Indiana Department of Environmental Management | 66.040                    |  |   |   |   |   |
| State Clean Diesel Grant Program                                    |  |                           | DS00E667-04  | -   | -   | -   | 75,000  |
| Total - State Clean Diesel Grant Program                            |  |                           |  | -   | -   | -   | 75,000  |
| Total - Environmental Protection Agency                             |  |                           |  | -   | -   | -   | 75,000  |
| <b>Department of Education</b>                                      |  |                           |  |   |   |   |   |
| Special Education Cluster (IDEA)                                    |  |                           |  |   |   |   |   |
| Special Education Grants to States                                  | Indiana Department of Education                | 84.027                    |  |   |   |   |   |
| Special Education Cluster (IDEA)                                    |  |                           | 14216-012-PN01   | -   | 252,460   | -   | -   |
| Special Education Cluster (IDEA)                                    |  |                           | 14217-012-PN01   | -   | 238,506   | -   | 289,372   |
| Special Education Cluster (IDEA)                                    |  |                           | 18611-012-PN01   | -   | 681,453   | -   | 287,506   |
| Special Education Cluster (IDEA)                                    |  |                           | 19611-012-PN01   | -   | -   | -   | 632,149   |
| Total - Special Education Grants to States                          |  |                           |  | -   | 1,172,419                                       | -   | 1,209,027                                       |
| Special Education Preschool Grants                                  |  |                           |  |   |   |   |   |
| Special Education Preschool   | Indiana Department of Education                | 84.173                    |  |   |   |   |   |
| Special Education Preschool   |  |                           | 45717-012-PN01   | -   | 10,741  | -   | -   |
| Special Education Preschool   |  |                           | 18619-012-PN01   | -   | 32,987  | -   | 4,424   |
| Special Education Preschool   |  |                           | 19619-012-PN01   | -   | -   | -   | 31,400  |
| Total - Special Education Preschool Grants                          |  |                           |  | -   | 43,728  | -   | 35,824  |
| Total - Special Education Cluster (IDEA)                            |  |                           |  | -   | 1,216,147                                       | -   | 1,244,851                                       |
| Title I Grants to Local Educational Agencies                        |  |                           |  |   |   |   |   |
| Title I Part A Cluster  | Indiana Department of Education                | 84.010                    |  |   |   |   |   |
| Title I   |  |                           | FY 15-16   | -   | 48,394  | -   | -   |
| Title I   |  |                           | FY 16-17   | -   | 1,496,860                                       | -   | -   |
| Title I   |  |                           | FY 16-17 SIG   | -   | 22,706  | -   | -   |
| Title I   |  |                           | FY 17-18   | -   | 2,239,129                                       | -   | 1,338,790                                       |
| Title I Part A Cluster  |  |                           | FY 17-18 SIG   | -   | 63,551  | -   | 41,988  |
| Title I   |  |                           | FY 18-19   | -   | -   | -   | 1,255,110                                       |
| Total - Title I Grants to Local Educational Agencies                |  |                           |  | -   | 3,870,640                                       | -   | 2,635,888                                       |
| Career and Technical Education - Basic Grants to States             |  |                           |  |   |   |   |   |
| Career & Technical Education  | Indiana Department of Education                | 84.048                    |  |   |   |   |   |
| Career & Technical Education  |  |                           | 16-4700-4670   | -   | 49,082  | -   | -   |
| Career & Technical Education  |  |                           | 17-4700-4670   | -   | 62,191  | -   | 65,595  |
| Career Technical Education  |  |                           | 18-4700-4670   | -   | -   | -   | 58,349  |
| Total - Career and Technical Education - Basic Grants to States     |  |                           |  | -   | 111,273   | -   | 123,944   |

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title  | Pass-Through Entity or Direct Grant               | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-18 | Total<br>Federal Awards<br>Expended<br>06-30-18 | Passed Through<br>to Subrecipient<br>06-30-19 | Total<br>Federal Awards<br>Expended<br>06-30-19 |
|--|---|---------------------------|--|---|---|---|---|
| English Language Acquisition State Grants                            | Indiana Department of Education                   | 84.365                    |  |   |   |   |   |
| English Language Acquisition   |   |                           | 15-4670  | -   | 5,664   | -   | -   |
| English Language Acquisition   |   |                           | 16-4670  | -   | 33,893  | -   | 21,539  |
| English Language Acquisition   |   |                           | 17-4670  | -   | 12,440  | -   | 19,327  |
| English Language Acquisition   |   |                           | 18-4670  | -   | -   | -   | 24,001  |
| Total - English Language Acquisition State Grants                    |   |                           |  | -   | 51,997  | -   | 64,867  |
| Supporting Effective Instruction State Grants                        | Indiana Department of Education                   | 84.367                    |  |   |   |   |   |
| FFY 2015   |   |                           | FFY 2015   | -   | 76,651  | -   | -   |
| FFY 2016   |   |                           | FFY 2016   | -   | 58,542  | -   | 309,641   |
| FFY 2017   |   |                           | FFY 2017   | -   | -   | -   | 129,705   |
| FFY 2018   |   |                           | FFY 2018   | -   | -   | -   | 136,801   |
| Total - Supporting Effective Instruction State Grants                |   |                           |  | -   | 135,193   | -   | 576,147   |
| Total - Department of Education                                      |   |                           |  | -   | 5,385,250                                       | -   | 4,645,697                                       |
| <b>Department of Health and Human Services</b>                       |   |                           |  |   |   |   |   |
| Medicaid Cluster   |   |                           |  |   |   |   |   |
| Medical Assistance Program   | Indiana Family and Social Services Administration | 93.778                    |  |   |   |   |   |
| Medical Assistance Program   |   |                           | FY 17-18   | -   | 138,611   | -   | -   |
| Medical Assistance Program   |   |                           | FY 18-19   | -   | -   | -   | 95,796  |
| Total - Medicaid Cluster   |   |                           |  | -   | 138,611   | -   | 95,796  |
| Maternal and Child Health Services Block Grant to the States         | Indiana State Department of Health                | 93.994                    |  |   |   |   |   |
| Child Health Service   |   |                           | FY 2017  | -   | 36,751  | -   | -   |
| Child Health Service   |   |                           | FY 2018  | -   | 59,325  | -   | 77,050  |
| Total - Maternal and Child Health Services Block Grant to the States |   |                           |  | -   | 96,076  | -   | 77,050  |
| Total - Department of Health and Human Services                      |   |                           |  | -   | 234,687   | -   | 172,846   |
| Total federal awards expended  |   |                           |  | \$ -  | \$ 9,106,814                                    | \$ -  | \$ 8,402,423                                    |

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

SCHOOL CITY OF EAST CHICAGO  
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 EAST CHICAGO  
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?                      | yes   |
| Significant deficiencies identified?                 | none reported   |
| Noncompliance material to financial statement noted? | yes   |

Federal Awards:

|  |     |
|--|-----|
| Internal control over major programs:  |     |
| Material weaknesses identified?  | yes |
| Significant deficiencies identified?   | yes |
| 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:

| <u>CFDA<br/>Number</u> | <u>Name of Federal Program or Cluster</u>    | <u>Opinion<br/>Issued</u> |
|------------------------|--|---------------------------|
|                        | Child Nutrition Cluster                      | Qualified                 |
|                        | Special Education Cluster (IDEA)             | Qualified                 |
| 84.010                 | Title I Grants to Local Educational Agencies | Qualified                 |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

|  |    |
|--|----|
| Auditee qualified as low-risk auditee? | no |
|--|----|

**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Transactions  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions.

The School Corporation had not separated incompatible activities related to cash and investments, receipts, transfers, and payroll disbursements. Segregation of duties for each of these areas had not been designed or implemented to prevent, or detect and correct, errors.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash and Investments (Bank Reconciliations)*

The School Corporation had not properly designed or implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

The reconciliation of the bank and ledger activity was prepared by the Treasurer without a documented oversight or review process to ensure that bank reconciliations were prepared and that reconciling items were corrected in a timely manner.

The January through November 2018 monthly bank reconciliations were not prepared until March 2019. The December 2018 through July 2019 reconciliations were not prepared until January 2020, when requested for audit.

Since June 30, 2018, the monthly bank reconciliations of the School Corporation accounts did not agree to the record balance, resulting in monthly variances. At June 30, 2018, the adjusted bank balance was \$92,969 greater than the record balance. At June 30, 2019, the adjusted bank balance was \$47,341 less than the record balance. The financial statement was not adjusted due to these variances.

The School Corporation maintained a bank account that was used to process medical claims when the School Corporation was self-insured. The monthly reconciliations for the Medical Insurance Account accumulated numerous transactions and corrections, some dating back to 2010, which were not posted timely to the financial records. The numerous transactions and corrections resulted in the following items not posted timely: a \$280 negative adjustment for bank errors, \$2,617 understatement of receipts, a \$411,099 overstatement of disbursements due to corrections to payments, and a \$391,549 understatement of disbursements for medical claims not recorded in the records.

The net effect of the numerous transactions and corrections resulted in a negative adjustment of \$22,447 as of June 30, 2019. The financial statement was not adjusted for these posting errors.

*Receipts*

The School Corporation had not properly designed or implemented internal controls over receipts to ensure the accuracy and completeness of the ledgers.

Due to the change in personnel, the Treasurer performed all aspects of the receipting process for several months of the audit period. The Treasurer issued the receipts, recorded the receipts in the financial system, prepared the bank deposits, took collections to the bank, and performed the bank reconciliations. The School Corporation had not designed or implemented adequate segregation of duties such as an oversight, review, or approval process.

In late 2018, the Business Supervisor received collections, prepared the bank deposits, took the deposit to the bank, and recorded the receipts in the financial system. The School Corporation had not designed or implemented adequate segregation of duties such as an oversight, review, or approval process to ensure the collections agreed to the amount that was deposited and posted. Furthermore, the collections were deposited prior to the issuance of receipts.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Receipts and Disbursements - Transfers Between Funds*

The School Corporation had not properly implemented internal controls over the recording of transfers between funds to ensure the accuracy of the ledgers. The Treasurer recorded the transfers between funds to the financial system without a documented system of oversight or review.

*Payroll Disbursements*

The School Corporation had not properly designed or implemented internal controls over the recording of transactions for payroll disbursements to ensure the accuracy and classification of the payroll disbursements.

A process was not in place to ensure that employees were paid the correct rate of pay. A School Board approved salary schedule for non-certified personnel was not provided for audit. The Payroll Supervisor computed the non-certified personnel rates of pay based on an old salary schedule and School Board approved increases over the years without a documented review or oversight process. Additional audit time was spent performing other procedures to ascertain if payroll disbursements were fairly stated in the financial statement.

Furthermore, a process was not established to ensure that all certified teacher contracts were electronically signed by teachers ensuring the accuracy of the contract rate.

In addition, an adequate review or oversight process had not been designed or implemented to ensure the proper classification of the payroll disbursements to the correct non-grant fund and account.

*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. . . ."

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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

*Cause*

Management of the School Corporation had not established or implemented a proper system of internal controls over financial transactions.

*Effect*

The failure to properly establish a system of internal controls over cash and investments enabled misstatements or irregularities to remain undetected for several years without further research to identify the variance or correcting entries to be timely posted to the ledger. The failure to properly establish a system of internal controls over receipts and disbursements could have enabled misstatements or irregularities to remain undetected.

*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: 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 2017-001.

*Condition and Context*

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).

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

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 \$894,642 and \$327,480, as of June 30, 2018 and 2019, respectively:

1. The School Breakfast Program expenditures were overstated by \$121,632 as of June 30, 2018, and understated by \$864,281 as of June 30, 2019.
2. The National School Lunch Program expenditures, including commodities, were understated by \$321,956 as of June 30, 2018, and overstated by \$1,166,884 as of June 30, 2019.
3. The Summer Food Service Program for Children expenditures were overstated by \$24,500 as of June 30, 2018, and understated by \$67,879 as of June 30, 2019.
4. The Child and Adult Care Food Program expenditures were understated by \$67,725 as of June 30, 2018, and understated by \$303,459 as of June 30, 2019.
5. The Fresh Fruit and Vegetable Program expenditures were overstated by \$24,955 as of June 30, 2018, and understated by \$171,861 as of June 30, 2019.
6. The State Clean Diesel Grant Program expenditures were understated by \$75,000 as of June 30, 2019.
7. The Special Education Grants to States expenditures were understated by \$681,405 as of June 30, 2018, and overstated by \$1,160 as of June 30, 2019.
8. The Adult Education - Basic Grants to States expenditures were overstated by \$18,661 as of June 30, 2018, and overstated by \$8,233 as of June 30, 2019.
9. The Title I Grants to Local Educational Agencies expenditures were understated by \$22,706 as of June 30, 2018.
10. The Career and Technical Education - Basic Grants to States expenditures were understated by \$62,191 as of June 30, 2018, and overstated by \$8,159 as of June 30, 2019.
11. The Medical Assistance Program expenditures were understated by \$138,611 as of June 30, 2018, and understated by \$95,796 as of June 30, 2019.
12. The Maternal and Child Health Services Block Grant to the States expenditures were overstated by \$210,204 as of June 30, 2018, and overstated by \$66,360 as of June 30, 2019.
13. Pass-Through Entity or Other Identifying Numbers were not indicated on the SEFA; thus, each individual project within a CFDA number was not accurately reported. Most federal program and pass-through entity titles were not accurate.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 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.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-003**

Subject: School Breakfast Program and National School Lunch Program - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018,  
FY 2018-2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 Cash Management compliance requirement.

The School Corporation had not designed or implemented effective controls to ensure that the cash management requirement of limiting its net cash resources to an amount that does not exceed three months average expenditures for its non-profit food service. The Treasurer stated that disbursement ledgers and cash balance reports were reviewed monthly; however, evidence of the comparison of the monthly cash balances to the three months average expenditures was not documented.

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 Cash Management compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2019-004***

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018,  
FY 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 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 procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

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

The procurement records not provided for the food management service contract were an isolated instance. Due to the change in the Chief Financial Officer at the School Corporation and the relocation of the administration staff and records to a different building, procurement records related to the contract for the food service management company were not provided for audit. The payments to the food management company were 95 percent of the School Lunch fund disbursements.

In May 2019, the School Corporation procured a new food management service contract for 2019-2020.

*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 EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR 200.333 states in part:

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

*Cause*

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

*Effect*

The failure to retain or provide documentation of the procurement of the food management service contract prevented the determination of the School Corporation's compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to procurements will be maintained and available for audit.

*Views of Responsible Officials*

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

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2019-005***

Subject: Special Education Cluster (IDEA) - Equipment

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-012-PN01, 14217-012-PN01,  
18611-012-PN01, 19611-012-PN01,  
45717-012-PN01, 18619-012-PN01,  
19619-012-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-006.

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

The Special Education Department was responsible for tagging all of the equipment at each location. Once tagged, the equipment was added to an inventory listing. However, the Special Education Department had not yet completed the physical inventory of all equipment purchased with Special Education grant awards. Furthermore, the School Corporation could not locate 21 of the 98 items that were listed on the equipment inventory listing.

The lack of controls and noncompliance were systemic issues 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 Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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) A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures. Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . ."

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

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

*Cause*

The School Corporation's management had not implemented a proper system of internal controls that would have ensured compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management 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 EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Equipment and Real Property Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2019-006**

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): FY 15-16, FY 16-17, FY 16-17 SIG, FY 17-18, FY 17-18 SIG, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

*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 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 Data (RT) reports that are updated weekly by the School Corporation and the Pupil Enrollment Summary Report (DOE-PE). The nonpublic enrollment and poverty figures were manually entered at the School Corporation. Evidence of a review or approval process over the Eligible School Summary prepared in the grant application for both fiscal 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. Due to turnover in the Title I department, the School Corporation did not obtain or retain supporting documentation for the nonpublic schools. We were 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 from October 2017 and 2018 were tested to determine if the School Corporation's enrollment and poverty figures were accurate in the Title I applications. The RT reports materially agreed to the DOE-PE Summary Report for enrollment. However, the DOE-PE Summary Report counts for kindergarten through twelfth grade did not agree to the enrollment numbers in the 2019 and 2020 Title I applications. The Title I applications enrollment figures were determined to be overstated by 377 students each year. The School Corporation was not able to provide information or documentation for the enrollment numbers in the application.

The lack of controls, lack of supporting documentation for public and nonpublic enrollment and poverty figures, and noncompliance were systemic issues throughout the audit period.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 and DOE-PE Summary Reports were accurate and supported by the School Corporation's student management system and agreed to the enrollment figures in the Title I applications.

*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.

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 2019-007**

Subject: Title I Grants to Local Educational Agencies - Reporting, 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): FY 15-16, FY 16-17, FY 16-17 SIG, FY 17-18, FY 17-18 SIG, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Participation of Private School Children

Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit for Reporting. The prior audit finding number was 2017-008.

*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 Reporting and Special Tests and Provisions - Participation of Private School Children compliance requirements.

*Reporting*

The School Corporation had not consistently implemented review procedures to ensure that the Annual Expenditure Reports were completed accurately. One individual completed and filed the 2016-2017 Annual Expenditure Report with a documented oversight or review process. However, the 2017-2018 Annual Expenditure Report was completed and filed without evidence of an oversight or review process.

*Special Tests and Provisions - Participation of Private School Children*

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement. A review or approval process had not been established to ensure that planned services were provided to the private school children.

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

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*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 Reporting and Special Tests and Provisions - Participation of Private School Children compliance requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2019-008**

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): FY 15-16, FY 16-17, FY 16-17 SIG, FY 17-18, FY 17-18 SIG, FY 18-19  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Significant Deficiency, 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 Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation had not designed or implemented proper internal controls to ensure that all individuals that came in contact with any tests that were administered under the Indiana Assessment System had signed and retained the Indiana Testing Security and Integrity Agreements (agreements). 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 signed agreements for the employees' training was not provided for all employees. Of the 40 employees tested, 3 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, . . ."

511 IAC 5-5-5(b) states in part: "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."

SCHOOL CITY OF EAST CHICAGO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls 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 noncompliance to go undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Assessment System Security 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.

#### AUDITEE-PREPARED DOCUMENTS

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

Lela Simmons, Chief Financial Officer

February 9, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding 2017-001**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

The School Corporation is still in the process of correcting the SEFA. The district is setting up written internal controls for the preparation of the (SEFA). In past years the SEFA report did not include the breakdown of the Food Service funds and correct funds titles. There will be detail instruction on how to prepare the report place in the policies.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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February 9, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-002**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

A policy and procedure is still in progress to ensure cash balance was below 3 month average of expenditures. The CFO will work with the Food Service vendor to ensure monthly bills was prepared and paid in a timely manner. At the end of 18-19 School City and Food Service started reaching out for bids on new equipment to spend down cash for 19-20. All information will be house in the CFO office.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-003**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in Progress: A policy and procedure was created and implemented. Correction are still in progress due to the change in Food Service Manager that expresses the Procurement and Suspension and Debarment regulations in regard to Child Nutrition. The Superintendent and CFO will review the proposed purchases for procurement requirements. The bids/quotes will be reviewed/opened by Business office manager and/or bid committee to make sure the requirements are matched to the School City/Federal Bylaws. The CFO will oversee the bidding and quote procurement procedures are followed according to School City/Federal Bylaws.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding 2017-004**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Lela Simmons, CFO  
Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in progress due to New Food Manager 19-20 SY. A policy and procedure was created and implemented to ensure that all reports prepared by the Sodexo food service company is reviewed and approved by School Corporation CFO and the vendor (Meal Magic) for accuracy prior to reporting to any outside entity. A reconciliation of the accounts is also performed by the School Corporation Business Office to ensure proper accounting of funds. Reports are compared to School City Reports and Meal Magic software for reconciliation.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding 2017-005**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

The School Corporation has implemented a policy to ensure grant agreement and special reporting requirements for the Reporting Compliance requirements. Correctly all communication for December 1chid count, suspension and expulsion, and termination is being recorded via emails or written documents.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-006**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Lela Simmons, CFO  
Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in Progress: The School Corporation has hired a part time additional personnel for Technology Intern that is responsible for tagging and recording all new equipment that has been purchased and doing a physical inventory count and updating all corresponding records.

The new personnel, in regarding to the fixed asset tagging system, is meeting with technology staff in all buildings, review paperwork for thoroughness and accuracy. Monthly meeting updates is held with the Director of Special Education, Equipment tagger, Special Education Secretary, CFO, and Director of Technology to discuss progress and concerns.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-007**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Lela Simmons, CFO  
Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

A policy and procedure was implemented to ensure to ensure procurement was done according to small purchase procedures. The correction of this finding is still in process due to the changing of the total staff in Title. Title was in the process of hiring a grant manager clerk to ensure all purchases were quoted correctly.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-008**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

A policy and procedure are still in progress. New staff will be implementing the details for the Reporting Compliance requirement for all Federal, State, and Local grant sources. This policy will serve as an internal control to ensure the accuracy and completeness of all reporting prior to submission and that segregation of duties are satisfied. All information will be handled by the Title department with supervision by the Grant Monitor. The report will be given to the CFO for verification and review prior to submission.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-009**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Lela Simmons, CFO  
Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in Progress: Due to the changing of staff in the Title department we can ensure that this procure was followed completely. The CFO did ensure that 19-20 comparability report was signed by the proper staff. The School Corporation was require to file a Comparability Report every two years with the Indiana Department of Education (IDOE), which documented the full-time equivalents (FTE) of staff to students by school.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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February 9, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding 2017-010**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in progress: Title is applying for the new School Improvement Grants. The new staff in Title will ensure all documents are submitted with signatures from the principals. A policy will be put in place for the superintendent or designee will print the submission screen for additional verification for School Improvement Plans.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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February 9, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding: 2017-011**

Fiscal year in which the finding initially occurred: 07/1/15 – 06/30/17

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

Contact Phone Number: 219-391-4100 Ext. 12365

Status of Audit Finding:

Still in progress: A policy and procedure will be implemented by the New Staff to address the follow:

- Each administrator in the District will sign up for MOODLE account which is where the IDOR has information concerning the completion of the Comprehensive Needs Assessment.
- A meeting will be held with Administrators regarding the Comprehensive Needs Assessment.
- Administrators will uphold the policies and steps laid out by the Department of Education.
- Though submission this year is not required by the State, our District and Schools will submit a plan and keep copies of said plan on file for our records.

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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CORRECTIVE ACTION PLAN

**FINDING 2019-001**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created to ensure that the bank reconciliations are prepared, reviewed, and approved by separate parties which creates a check and balance for internal controls. All entries and/or adjustments for bank reconciliations will be posted in a timely manner within the following month they are completed. The School Corporation is currently in the process of hiring staff for the Business Office of whom will be trained on receipting and disbursement transactions and will assist the Chief Financial Officer in completing bank reconciliations and other duties for the district finances. The Chief Financial Officer will work in collaboration with the Payroll Department to review internal controls regarding review of pay rates and salary schedules to ensure accuracy and completeness. A policy and procedure will be created or updated in regarding to payroll processing. The Chief Financial Officer will work with the Payroll and the Board of Directors to create Salary Schedules for the District.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

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Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

**FINDING 2019-002**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created and implemented to ensure that all reports prepared by the Business Office to ensure all data is accurate prior to reporting to any outside entity. A reconciliation of the accounts will also be performed by the School Corporation Business Office to ensure proper accounting of funds. Reports will be compared to School City Reports, RDS reports and any other reporting document for reconciliation.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

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CORRECTIVE ACTION PLAN

**FINDING 2019-003**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created so that the Business Office reviews the cash management and disbursements on a monthly basis to ensure that the net cash resources does not exceed three months average expenditures for the food service vendor. The Chief Financial Officer will meet with the Food Service Company monthly to discuss the balance and sign off on the All Cash Fund Report.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

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CORRECTIVE ACTION PLAN

**FINDING 2019-004**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Business Office will create a policy and procedure in regard to record keeping and procurement and suspension and debarment. Due to office relocation and changes in staff files were not able to be produced to satisfy audit request. The Business Office will document all bids and bid results, contracts, and vendor research in their vendor files accordingly to be reviewed by staff and Chief Financial Officer.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

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February 27, 2020

CORRECTIVE ACTION PLAN

**FINDING 2019-005**

Contact Person Responsible for Corrective Action: Tamara Pol, Director of Special Education  
Contact Phone Number: 219-391-4100 ext 12332

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Currently we have hired an Equipment Asset Tagger to follow Corrective Action Plan but we are still attempting to hire Special Education Clerk to assist with the Corrective Action Plan in order to have all stages of the Corrective Action Plan in place.

The hiring of the Equipment Asset Tagger has given us an opportunity to show improvement with our asset tagging process and look forward to meeting the goals of locating or determining status of equipment within two years. This can only be done with the second person in place. Part of the Equipment Asset Tagger’s assignment is to go building to building, room to room, to attempt to locate missing items.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

Board of School Trustees

Vanessa Hernandez-Orange  
President

Diane Smith  
Vice President

Anton Williams  
Secretary

Joel Rodriguez  
Trustee

Jawann Jones  
Trustee

Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

**FINDING 2019-006**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created and implemented with new Title 1 and Title Grant staff regarding retaining supporting documentation for grant applications. Due to turnover in the Title 1 department, documentation could not be produced that supported the grant applications. Staff will be trained on record keeping and internal controls to ensure transparency and accuracy in grant applications. All back on calculation will be kept with the Title 1 application.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

Board of School Trustees

Vanessa Hernandez-Orange  
President

Diane Smith  
Vice President

Anton Williams  
Secretary

Joel Rodriguez  
Trustee

Jawann Jones  
Trustee

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Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

**FINDING 2019-007**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created for reviewing all grant application and compliance criteria for reporting on Title grants. Reports prepared by staff will be reviewed by Grant Director and/or Chief Financial Officer to ensure reporting compliance is performed accurately and has been signed of as reviewed for internal controls separation of duties. All documents will be held in the Title Office in a binder.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

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CORRECTIVE ACTION PLAN

**FINDING 2019-008**

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A policy and procedure will be created and implemented in regards to documenting, reviewing, and retaining all tests that are administered under the Indiana Assessment System in regard to Title 1 grant applications. All documentation for employee’s training will be signed and retained in the Grant office, school office and reviewed by the Grants Director and/or Chief Financial Officer for compliance purposes.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by October 31, 2020.

Board of School Trustees

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President

Diane Smith  
Vice President

Anton Williams  
Secretary

Joel Rodriguez  
Trustee

Jawann Jones  
Trustee

## 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/>.