

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

GARY COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/28/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Comer	07-01-18 to 06-30-21
Emergency Manager	Dr. Peggy Hinckley	07-01-18 to 12-06-18
	Dr. Peter Morikis	12-07-18 to 02-17-20
	Dr. Paige McNulty	02-18-20 to 06-30-21
Chief Financial Officer	Leonard Moody	07-01-18 to 01-24-19
	(Vacant)	01-25-19 to 03-18-19
	Lisa Rosinko	03-19-19 to 05-01-20
	(Vacant)	05-02-20 to 07-26-20
	Nicole Wolverton	07-27-20 to 06-30-21



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Gary Community School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated June 9, 2021, 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 2020-001 and 2020-002, 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 2020-001 and 2020-002.

Gary Community School Corporation's Response to Findings

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

Purpose of This Report

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



Tammy White, CPA
Deputy State Examiner

June 9, 2021, except for the Schedule of Expenditures
of Federal Awards, for which the date is July 13, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited were engaged to audit the Gary Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Our 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 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). Because of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer Opinion on the Child Nutrition Cluster

As described in item 2020-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

Basis for Disclaimer Opinion on the Special Education Cluster (IDEA)

As described in item 2020-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

Basis for Adverse Opinion on the Title I Grants to Local Educational Agencies

As described in items 2020-010, 2020-012, and 2020-013 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Reporting, and Procurement and Suspension and Debarment that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Disclaimer of Opinion on the Child Nutrition Cluster

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Child Nutrition Cluster* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2018 to June 30, 2020.

Disclaimer of Opinion on the Special Education Cluster (IDEA)

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Special Education Cluster (IDEA)* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 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
(Continued)

Adverse Opinion on the Title I Grants to Local Educational Agencies

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Title I Grants to Local Educational Agencies* paragraph, the School Corporation did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2018 to June 30, 2020.

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 items 2020-005, 2020-007, 2020-008, 2020-011, 2020-014, and 2020-015. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 through 2020-015, that we consider to be material weaknesses.

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)

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated June 9, 2021, 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.



Tammy White, CPA
Deputy State Examiner

July 13, 2021

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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GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	2018-2019, 2019-2020	\$ -	\$ 1,314,469	\$ -	\$ 793,485
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	2019-2020	-	-	-	62,083
School Breakfast Program							
Total - School Breakfast Program				-	1,314,469	-	855,568
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	2018-2019, 2019-2020	-	2,486,260	-	1,675,860
National School Lunch Program - Commodities			2018-2019, 2019-2020	-	278,986	-	305,860
Subtotal - National School Lunch Program				-	2,765,246	-	1,981,720
COVID-19 - National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	2019-2020	-	-	-	133,826
Total - National School Lunch Program				-	2,765,246	-	2,115,546
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559	2018-2019, 2019-2020	-	67,744	-	131,971
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	2019-2020	-	-	-	863,874
Summer Food Service Program							
Total - Summer Food Service Program for Children				-	67,744	-	995,845
Total - Child Nutrition Cluster				-	4,147,459	-	3,966,959
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558	2018-19, 2019-20	-	184,855	-	80,907
Fresh Fruit and Vegetable Program							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	2018-2019, 2019-2020	-	169,018	-	95,927
Total - Department of Agriculture				-	4,501,332	-	4,143,793

GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Defense</u>							
Army Junior Reserve Officers' Training Corps (JROTC)	Direct Grant	12.000					
Army Junior Reserve Officers' Training Corps (JROTC)			2018-2019	-	50,813	-	25,723
Total - Department of Defense				-	50,813	-	25,723
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
Special Education Grant	Indiana Department of Education	84.027	14217-017-PN01	-	339,294	-	-
Special Education Grant			18611-017-PN01	-	1,378,511	-	76,914
Special Education Grant			19611-017-PN01	-	286,912	-	1,572,452
Special Education Grant			20611-017-PN01	-	-	-	130,499
Total - Special Education Grants to States				-	2,004,717	-	1,779,865
Special Education Preschool Grants							
Special Education Preschool Grant	Indiana Department of Education	84.173	18619-017-PN01	-	57,210	-	-
Special Education Preschool Grant			19619-017-PN01	-	26,041	-	97,804
Special Education Preschool Grant			20619-017-PN01	-	-	-	17,343
Total - Special Education Preschool Grants				-	83,251	-	115,147
Total - Special Education Cluster (IDEA)				-	2,087,968	-	1,895,012
Adult Education - Basic Grants to States							
Adult Basic Education Grant	Indiana Department of Workforce Development	84.002	PY2018	-	47,042	-	-
Title I Grants to Local Educational Agencies							
Title I Basic Grant	Indiana Department of Education	84.010	S010A170014	-	5,710,315	-	-
Title I Basic Grant			S010A180014	-	2,429,170	-	2,073,809
Title I Basic Grant			S010A190014	-	-	-	3,480,098
Title I School Improvement Grant			S010A170014	-	117,973	-	-
Title I School Improvement Grant			S010A180014	-	-	-	166,117
Total - Title I Grants to Local Educational Agencies				-	8,257,458	-	5,720,024

GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Carl Perkins Career and Technical Education			17-4700-4690	-	251,751	-	8,402
Carl Perkins Career and Technical Education			18-4700-4690	-	128,661	-	110,867
Carl Perkins Career and Technical Education			19-4700-4690	-	-	-	54,002
Total - Career and Technical Education-Basic Grants to States				-	380,412	-	173,271
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
Education for Homeless Children and Youth			2019-2020	-	-	-	7,671
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Supporting Effective Instruction State Grants			S367A-160013	-	115,810	-	-
Supporting Effective Instruction State Grants			S367A-170013	-	307,236	-	50
Total - Supporting Effective Instruction State Grants				-	423,046	-	50
Total - Department of Education				-	11,195,926	-	7,796,028
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program		93.778					
Medicaid - MAC	Indiana Department of Education		FY2019, FY2020	-	81,149	-	53,347
Medicaid - IEP	Indiana Family and Social Services Administration		FY2019, FY2020	-	81,936	-	88,345
Total - Medical Assistance Program				-	163,085	-	141,692
Total - Medicaid Cluster				-	163,085	-	141,692
Total - Department of Health and Human Services				-	163,085	-	141,692
Total federal awards expended				\$ -	\$ 15,911,156	\$ -	\$ 12,107,236

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

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

Note 1. Summary of Significant Accounting

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, 2019 and 2020. 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.

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	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?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

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

Dollar threshold used to distinguish between Type A and Type B programs: \$840,552

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

FINDING 2020-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Condition and Context

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

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

Payroll Withholding - Receipts and Disbursements

The School Corporation began using a new payroll system on January 1, 2019. The new payroll system was not compatible with the School Corporation's financial accounting system. The School Corporation did not record payroll transactions timely or completely in the financial accounting system. This resulted in the understatement of certain payroll withholding funds' receipts and disbursements by \$3,975,414. The School Corporation converted to a new financial accounting system, which included the processing of payroll transactions within the system, as of January 1, 2020.

Audit adjustments were proposed, approved by the School Corporation, and made to the financial statement presented in the School Corporation's Financial Statement Audit Report.

Gross Payroll - Disbursements

A process was not in place to ensure that supporting time and attendance records were retained to document employee time worked during the period of July 1, 2018 to December 31, 2018. The School Corporation converted to a new electronic time and attendance system as of January 1, 2019.

A documented oversight or review process was not established to ensure the accuracy of the biweekly payroll claim. Also, review or approval of gross payroll was not documented by the Chief Financial Officer and Emergency Manager during the period of July 1, 2018 to June 30, 2020.

The School Corporation began using a new payroll system on January 1, 2019. The new payroll system was not compatible with the School Corporation's financial accounting system. This resulted in the payroll not being recorded in the financial software until months later. Payroll claims were not recorded in a timely manner in the financial software from January 2019 through July 2019.

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. . . ."

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

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

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

Cause

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

Effect

The failure to establish and properly implement internal controls enabled material misstatements or irregularities to remain undetected. The financial statement 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.

FINDING 2020-002

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 report. The prior audit finding number was 2018-002.

Condition and Context

The School Corporation had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation was unable to provide the internal control procedures over the SEFA during the audit period and there was no evidence of a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit included the following errors:

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(Continued)

1. The Child Nutrition Cluster expenditures were omitted, which understated federal expenditures by \$3,966,959 for fiscal year 2019-2020.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$3,275,040 for 2019-2020.
3. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$1,564,776.

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

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements . . ."

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(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

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(Continued)

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 2020-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/
Cost Principles, Special Tests and Provisions - School Food Accounts

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School
Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service
Program for Children, COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2018-2019, 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Special Tests and Provisions - School Food Accounts

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2018-003 and 2018-005.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Special Tests and Provisions - School Food Accounts*

Direct Costs

The School Corporation had not designed or implemented a system of internal controls to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of the food service program.

The School Corporation entered into a cost reimbursement contract, dated June 12, 2018, with a food service management company (FSMC). Four invoices for payment to the FSMC, which totaled \$1,008,442, were selected for testing. Supporting documentation was presented for only \$392,828 of the costs invoiced. Due to the lack of supporting documentation, we were unable to determine if the remaining costs paid, \$615,614, were allowable expenditures. The costs that were not properly documented were considered questioned costs.

In the supporting documentation presented for audit, sales tax was erroneously paid totaling \$826. These unallowable costs were considered questioned costs.

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(Continued)

In addition to the food service management company, the School Corporation paid various other vendors. Five of the thirteen vendor claims tested, totaling \$40,973, were unallowable costs or were not supported by proper documentation. The costs that were not allowable or not properly documented were considered questioned costs.

Indirect Costs

The School Corporation must apply for an indirect cost rate by submitting an application along with required documentation to the Office of School Finance (OSF). An application was submitted for fiscal years 2018-2019 and 2019-2020; however, the School Corporation could not provide the Schedule of Payment for Unused Leave, Schedule of Capitalized Equipment, or the signed Local Education Agency Delegation Agreement that should have been submitted with each application.

The School Corporation was to apply the approved indirect cost rate to total direct costs of the grant minus capital outlay, food, and other distorting or unallowable items for the same fiscal year. However, the School Corporation determined their indirect cost rate using a different method and applied the rate to total utility and custodial billings for a period of time. Therefore, we were unable to determine if the amount charged to indirect costs, totaling \$399,367, was the proper amount. The indirect costs charged were considered questioned costs.

Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented a system of internal control to ensure that all activity related to the Child Nutrition Cluster was recorded in the School Corporation's records. Due to the lack of internal controls, the School Corporation failed to properly record all receipts of the Child Nutrition Cluster in the School Corporation's accounting records.

Beginning in December 2014, the Indiana Department of Education (IDOE) retained the requested reimbursements due to the School Corporation and held the amounts in trust. Between July 2018 and December 2018 and May 2020, the IDOE processed and retained \$1,938,767 of reimbursement requests that were not properly received or recorded in the School Corporation's School Lunch fund.

The lack of internal 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 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). . . ."

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(Continued)

7 CFR 210.21(f)(1) states in part:

". . . (ii)

- (A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or
- (B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;
- (iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .
- (vi) The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

7 CFR 220.7(e) states in part:

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

(1)

- (i) Maintain a nonprofit school food service;
- (ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 210.14(a) states in part:

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

7 CFR 225.15(a)(1) states: "Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

2 CFR 200, Appendix VII, paragraph D 2 states in part:

"The following must be included with each indirect cost proposal: . . .

- b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency for indirect costs in a subsequent proposal. . . ."

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(Continued)

2 CFR 200, Appendix VII, paragraph D 3, states in part: "Each indirect cost rate proposal must be accompanied by a certification . . ."

Indiana Department of Education's *Frequently Asked Questions Related to Indirect Cost Rates* states:

"The Indirect Cost Rate calculated by the Office of School Finance sets the maximum rate a Local Education Agency can use. A Local Education Agency, however, is allowed to use any amount below the rate calculated by the Office of School Finance to the extent the funds are available."

2 CFR 200.403 states in part:

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

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

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

(g) Be adequately documented. . . ."

Cause

Management had not established a system of internal controls that would have ensured compliance or that supporting documentation would have been maintained and made available for audit related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above. The failure to design and implement an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$1,056,780 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

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

FINDING 2020-004

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2018-2019, 2019-2020
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 report. The prior audit finding number was 2018-004.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented procedures whereby the net cash resources in its food service program (School Lunch fund) were monitored to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

The lack of internal 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

Management had not established a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to design and implement an effective internal control system could have enabled non-compliance with the grant agreement and the compliance requirement listed above.

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(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal 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.

FINDING 2020-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2018-2019, 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-006.

Condition and Context

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

Procurement - Policy

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

Procurement

The School Corporation did not follow procurement requirements for purchases which exceeded the simplified acquisition threshold of \$150,000. The School Corporation did not obtain a contract or contract renewal for one vendor that exceeded the simplified acquisition threshold.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$10,000 from an adequate number of sources, which fell under the small purchase procedures. All three of the small purchase procurements tested did not comply.

The School Corporation contracted with a food service management company (FSMC) for the operation of the food service program. The School Corporation did not have policies or procedures to ensure compliance with procurement requirements to verify that the invoices submitted to the School Corporation were those actually paid by the FSMC, or to ensure that the FSMC invoices included credits for any discounts, rebates, or other credits. The School Corporation did not request, nor did the FSMC provide, documentation to verify that the invoices received by the School Corporation encompassed the same invoices that were paid by the FSMC and that the products charged were received. The School Corporation also did not verify the return of discounts, rebates, or credits from the FSMC.

Suspension and Debarment

The School Corporation did not verify that vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal award programs. All four of the contracts tested did not comply.

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.319(b) states:

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

2 CFR 200.320 states in part:

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

7 CFR 210.21(f)(1)(vi) states: "The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

2 CFR 180.300 states:

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

Management had not established a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to design and implement an effective system of internal controls enabled material non-compliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-006

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Period of Performance

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): 14217-017-PN01, 18611-017-PN01,
18619-017-PN01, 19611-017-PN01,
19619-017-PN01, 20611-017-PN01,
20619-017-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-007.

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

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit.

Activities Allowed or Unallowed

The School Corporation was unable to provide supporting documentation for 32 of 80 transactions tested. For the 32 transactions in which supporting documentation was not provided, we were unable to determine if the transactions, totaling \$138,580, were for allowable activities for the program.

Allowable Costs/Cost Principles

The School Corporation was unable to provide supporting documentation for 58 of 80 transactions tested. For the 58 transactions in which supporting documentation was not provided, we were unable to determine if the transactions, totaling \$194,993, were for allowable costs for the program.

Period of Performance

The School Corporation was unable to provide supporting documentation for 6 of the 21 sample items tested. For the 6 transactions in which supporting documentation was not provided, we were unable to determine if the items, totaling \$7,756, were purchased within the period of performance.

The lack of effective internal controls and the failure to retain supporting documentation 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 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). . . ."

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 sub-recipient. . . ."

34 CFR 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

34 CFR 300.208 states:

"(a) *Uses.* Notwithstanding §§ 300.202, 300.203(b), and 300.162(b), funds provided to an LEA under Part B of the Act may be used for the following activities:

- (1) *Services and aids that also benefit nondisabled children.* For the costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.
- (2) *Early intervening services.* To develop and implement coordinated, early intervening educational services in accordance with § 300.226.
- (3) *High cost special education and related services.* To establish and implement cost or risk sharing funds, consortia, or cooperatives for the LEA itself, or for LEAs working in a consortium of which the LEA is a part, to pay for high cost special education and related services.

(b) *Administrative case management.* An LEA may use funds received under Part B of the Act to purchase appropriate technology for recordkeeping, data collection, and related case management activities of teachers and related services personnel providing services described in the IEP of children with disabilities, that is needed for the implementation of those case management activities."

34 CFR 300.800 states:

"The Secretary provides grants under section 619 of the Act to assist States to provide special education and related services in accordance with Part B of the Act—

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(Continued)

- (a) To children with disabilities aged three through five years; and
- (b) At a State's discretion, to two-year-old children with disabilities who will turn three during the school year."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

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

2 CFR 200.77 states:

"*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§ 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv))."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

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

Cause

Management had not established an effective system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

Questioned Costs

Known questioned costs of \$341,249 were identified, as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

Views of Responsible Officials

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

FINDING 2020-007

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14217-017-PN01, 18611-017-PN01,
18619-017-PN01, 19611-017-PN01,
19619-017-PN01, 20611-017-PN01,
20619-017-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-006.

Condition and Context

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

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

Procurement - Policy

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

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

Procurement

The School Corporation did not follow procurement requirements for purchases which exceeded the simplified acquisition threshold of \$150,000. Bids were not obtained for these purchases, nor was a rationale documented for their use of any other method outlined in 2 CFR 200.320. Procurement transactions tested did not comply.

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$10,000 from an adequate number of sources, which fell under the small purchase procedures. Procurement transactions tested did not comply.

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

Suspension and Debarment

The School Corporation did not verify that vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal awards programs.

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

2 CFR 200.318 states in part:

- "(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

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

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

2 CFR 200.319(b) states:

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

2 CFR 200.320 states in part:

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

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

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

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

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement listed above 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 a system of internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-008

Subject: Special Education Cluster (IDEA) - Level of Effort
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 20611-017-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-009.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

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

Amounts reported for maintenance of effort were not supported by the School Corporation's records for the school year ended June 30, 2019. Amounts reported either exceeded or were less than actual disbursements in all instances tested.

The lack of effective internal controls and noncompliance were isolated to the 20611-017-PN01 grant.

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 300.203(b) states:

"*Compliance standard.*

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

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with grant agreement and the compliance requirement listed above 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 an effective system of internal controls to ensure compliance and comply with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2020-009

Subject: Title I Grants to Local Educational Agencies - Earmarking
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-016.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation did not have internal controls over earmarking to ensure that the Parental Involvement and Homeless services were properly provided.

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

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Matching, Level of Effort and Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2020-010

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2018-011 and 2018-012.

Condition and Context

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

Direct Costs

The following disbursements charged to the Title I Grants to Local Educational Agencies grant fund were not in compliance with the Allowable Costs/Cost Principles compliance requirement.

1. The School Corporation paid \$1,999 in salaries without supporting documentation or personnel activity reports, such as time and effort logs, or Semi-Annual Certifications.
2. Supporting documentation provided for two payroll transactions tested disclosed incorrect amounts paid. After further review, it was determined that two employees were overpaid by \$5,324.

The above issues resulted in questioned cost of \$7,323.

Indirect Costs

The School Corporation had not designed or implemented a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement related to indirect costs.

The School Corporation must apply for an indirect cost rate by submitting an application along with required documentation to the Office of School Finance (OSF). An application was submitted for fiscal years 2018-2019 and 2019-2020; however, the School Corporation could not provide the Schedule of Payment for Unused Leave, Schedule of Capitalized Equipment, or the signed Local Education Agency Delegation Agreement that should have been submitted with each application.

The School Corporation did not correctly calculate the indirect costs to be reimbursed for the grant for the 2018 or 2019 project years. The maximum indirect cost allowed to be charged was \$547,504 based on the restricted indirect cost rate calculated by the Indiana Department of Education. However, indirect costs in the amount of \$718,742 were charged to the program. The dollar amount requested for reimbursement that exceeded the allowable amount, \$171,238, is considered a questioned cost.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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

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

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

2 CFR 200, Appendix VII, paragraph D 2 states:

"The following must be included with each indirect cost proposal:

- a. The rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data noted in subsection b. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency for indirect costs and is available to the funding agency.
- b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency for indirect costs in a subsequent proposal.
- c. The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs."

2 CFR 200.403 states in part:

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

- (g) Be adequately documented. . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

Known questioned costs of \$178,561 were identified, as detailed in the *Condition and Context* above.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2020-011

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): S010A170014, S010A180014,
S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-014.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not designed or implemented a system of internal controls to ensure that proper documentation was retained for audit.

The October 1, 2017 and 2018 Real Time (RT) data reports, which are used to prepopulate the School Corporation's enrollment and poverty numbers for the 2018-2019 and 2019-2020 applications, were tested for accuracy. Of the 25 students tested over the 2018-2019 and 2019-2020 school years, 7 students' socioeconomic status was incorrectly reported when compared with socioeconomic data provided by the School Corporation.

Summary data of nonpublic enrollment and poverty was sent to the School Corporation by participating nonpublic schools. The summary data should have been accompanied by a list of students and their poverty (socioeconomic) status as supporting documentation. Of the 14 documents that should have been received for fiscal years 2018-2019 and 2019-2020, the School Corporation did not retain or obtain supporting documentation for 10 of the nonpublic schools. Due to the lack of supporting documentation, we were unable to determine the School Corporation's compliance with the Eligibility compliance requirement for nonpublic enrollment and poverty figures.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.333 states in part:

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

34 CFR 200.78(a)(1) states:

"After reserving funds, as applicable, under § 200.77, including funds for equitable services for private school students, their teachers, and their families, an LEA must allocate funds under this subpart 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 public school children from low-income families in each area or school."

Cause

Management had not established a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Eligibility compliance requirement.

Effect

The failure to establish a system of internal controls and retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and 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.

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

FINDING 2020-012

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-013.

Condition and Context

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

The School Corporation had not designed and implemented a system of internal controls to ensure that proper documentation was retained for audit.

Request for Reimbursement

The School Corporation was unable to provide all supporting documentation for Request for Reimbursement reports tested. We were unable to determine if the transactions for \$9,274 of the vendor disbursements and \$247,060 of payroll and benefits disbursements were allowable for reimbursement. Due to the lack of documentation, we were unable to determine the School Corporation's compliance with the Reporting compliance requirement.

These issues resulted in known questioned costs of \$256,334.

Final Expenditure Report

Total expenditures reported on the 2018 and 2019 project year Final Expenditure Reports did not match the School Corporation's records or the amounts reported on the Request for Reimbursement reports.

State Per Pupil Expenditure (SPPE)

The Indiana Department of Education (State) used the Form 9 financial reports submitted by the School Corporation to determine if they met the required maintenance of effort and in the State's submission of the average State per pupil expenditure data submitted to the National Center for Education Statistics. These reports were comprised of the School Corporation's transactions recorded during the audit period.

Internal controls were not in place to ensure that expenditures were recorded properly by fund, account, and object code.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 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 sub-recipient. . . ."

2 CFR 200.302(b) states in part:

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

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

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

Cause

Management had not established a system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Reporting compliance requirement.

Effect

The failure to design and implement an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

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

Questioned Costs

Known questioned costs of \$256,334 were identified, as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2020-013

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment

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): S010A170014, S010A180014,
S010A190014

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 report. The prior audit finding number was 2018-006.

Condition and Context

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

Procurement - Policy

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

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

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

Procurement

The School Corporation did not follow procurement requirements for purchases which exceeded the simplified acquisition threshold of \$150,000. Bids were not obtained for these purchases, nor was a rationale documented for their use of any other method outlined in 2 CFR 200.320. Documentation was requested, but not provided for audit.

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$10,000 from an adequate number of sources, which fell under the small purchase procedures. Of the 12 vendors tested, documentation was either not presented for audit, or no evidence of competitive pricing was evident.

Suspension and Debarment

The School Corporation did not verify that vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal award programs.

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

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

2 CFR 200.319(b) states:

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

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

2 CFR 200.320 states in part:

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

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

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

Cause

Management had not established a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2020-014

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A170014, S010A180014,
S010A190014

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-017.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

The School Corporation did not ensure that planned services for private school students were provided. The School Corporation assigned each private school a school code, and budget account and object codes based upon the approved grant budget. No disbursements were posted to some of the account and object codes for the private schools' budgets; thus, the planned services were not provided. For 5 of the 11 account and object codes selected for testing, there were no disbursements posted which indicated that the planned services were not provided.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

20 USC 6320(a)(1) states:

"To the extent consistent with the number of eligible children identified under section 6315(c) of this title in the school district served by a local educational agency who are enrolled in private elementary schools and secondary schools, a local educational agency shall-

(A) after timely and meaningful consultation with appropriate private school officials, provide such children, on an equitable basis and individually or in combination, as requested by the officials to best meet the needs of such children, special educational services, instructional services (including evaluations to determine the progress being made in meeting such students' academic needs), counseling, mentoring, one-on-one tutoring, or other benefits under this part (such as dual or concurrent enrollment, educational radio and television, computer equipment and materials, other technology, and mobile educational services and equipment) that address their needs; and

(B) ensure that teachers and families of the children participate, on an equitable basis, in services and activities developed pursuant to section 6318 of this title."

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement listed above 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 an effective system of internal controls to ensure compliance and comply with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

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

Views of Responsible Officials

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

FINDING 2020-015

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): S010A170014, S010A180014, S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-019.

Condition and Context

An effective system of internal controls was not in place at the School Corporation to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation had not established an effective system of internal controls to ensure that proper documentation was retained for audit.

For fiscal year 2018-2019, the School Corporation's locally developed written test security policy did not specify that secure test materials should not be delivered to school buildings more than one week in advance of test administration or specify that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration.

In addition, the School Corporation's procedures related to oversight and review of the process of implementing required annual test security training of appropriate staff was not effective. Supporting documentation was not consistently maintained for the employees who received the required training at the school building level. Sign-in sheets of the employees' attendance of the required training was not provided for all locations. Of the 20 locations requiring training, 6 locations did not provide the sign in sheets. Due to the lack of documentation, we were unable to determine the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

The lack of effective internal controls and noncompliance over the written test security policy were isolated to 2018-2019. The lack of effective internal controls and the failure to retain supporting documentation over the required training was a systemic issue throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 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 sub-recipient. . . ."

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

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

"Every school corporation or other test administration location that administers tests under the Indiana Assessment System MUST have a locally developed written test security policy. While IDOE does not require school board approval of this policy, corporations should follow local level practices to determine if this policy needs to be approved by the local school board. The test security policy developed must:

- Specify that secure test materials should not be delivered to school buildings more than one week (preferably less) in advance of test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the TAM) more than 4 hours in advance of test administration; and . . .

Locally developed written test security policies must include, but not be limited to, the following description regarding how the corporation will: . . .

2. Ensure all appropriate staff receive test administration and test security training prior to testing. . . .

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

6. Define and clearly communicate at least once annually for all appropriate staff how staff implementation of test administration and test security standards and procedures will be monitored by school administrators. . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance, or that supporting documentation would have been maintained and made available for audit, related to the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective system of internal controls and retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure documentation be maintained and made available for audit related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

Cash and Investments: Corrective Action was taken

Receipts: Corrective Action was taken

Disbursements – Vendor: Corrective Action was taken

Disbursements – Compensation and Supporting Records:

- GCSC will maintain proper oversight and review process to ensure bi-weekly payroll claims are accurate for payment and posting.
- GCSC will ensure employees are paid the correct rate of pay by reviewing and verifying pay amounts.
- GCSC will retain approved salary schedules and collective bargaining agreements.

Journal Entries: Corrective Action was taken

Financial Transactions and Reporting:

- GCSC will properly post activity to the proper funds in the proper periods.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

A corrective action plan was proposed and set to be implemented as of September 2019. Gary Community School Staff conducted training on internal controls from the revised Internal Control Manual that was adopted by DUAB in May 2018. In a previously submitted corrective action plan, the following actions were to be implemented by the prior Emergency Manager and Chief Financial Officer:

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

During the audit period July 2018 to June 2020, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of the corrective action plan with the above mentioned corrections is not fully known at this time. The corrective action plan will be fully corrected by the current staff in 2021.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

A corrective action plan was proposed and set to be implemented as of September 2019. Gary Community School Staff continued to conduct training on internal controls from the revised Internal Control Manual that was adopted by DUAB in May 2018. In a previously submitted corrective action plan, the following actions were to be implemented by the prior Emergency Manager and Chief Financial Officer:

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

During the audit period July 2018 to June 2020, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of the corrective action plan with the above mentioned corrections is not fully known at this time. The corrective action plan will be fully corrected by the current staff in 2021.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Partially Corrected

A corrective action plan was proposed and set to be implemented as of September 2019. Gary Community School Staff continued to conduct training on internal controls from the revised Internal Control Manual that was adopted by DUAB in May 2018. In a previously submitted corrective action plan, the following actions were to be implemented by the prior Emergency Manager and Chief Financial Officer:

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

During the audit period July 2018 to June 2020, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of the corrective action plan with the above mentioned corrections is not fully known at this time. The corrective action plan will be fully corrected by the current staff in 2021.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: Not Corrected

A corrective action plan was proposed and set to be implemented as of September 2019. Gary Community School Staff continued to conduct training on internal controls from the revised Internal Control Manual that was adopted by DUAB in May 2018. In a previously submitted corrective action plan, the following actions were to be implemented by the prior Emergency Manager and Chief Financial Officer:

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

During the audit period July 2018 to June 2020, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of the corrective action plan with the above mentioned corrections is not fully known at this time. The corrective action plan will be fully corrected by the current staff in 2021.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Not Corrected

A corrective action plan was proposed and set to be implemented as of September 2019. Gary Community School Staff continued to conduct training on internal controls from the revised Internal Control Manual that was adopted by DUAB in May 2018. In a previously submitted corrective action plan, the following actions were to be implemented by the prior Emergency Manager and Chief Financial Officer:

- GCSC procurement policies will be updated to eliminate the local business preference.
- GCSC will follow procurement requirements of purchases which exceed the simplified acquisition threshold of \$150,000.
- GCSC will comply with procurement policies that adhere to Indiana statutory and Federal requirements and obtain price or rate quotes for purchases of goods and services from an adequate number of sources.
- GCSC will document the rationale for the method of procurement for noncompetitive proposals.
- GCSC will verify that vendors with contracts over \$25,000 are not excluded or disqualified from participation in federal award programs when a purchase order is not used to encumber the budget to track the disbursements related to the contract.

During the audit period July 2018 to June 2020, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of the corrective action plan with the above mentioned corrections is not fully known at this time. The corrective action plan will be fully corrected by the current staff in 2021.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-007

Fiscal year in which the finding initially occurred: 2016

During the audit period, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of corrective action taken is not fully known at this time.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2016

During the audit period, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of corrective action taken is not fully known at this time.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2016

During the audit period, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of corrective action taken is not fully known at this time.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-010

Fiscal year in which the finding initially occurred: 2016

During the audit period, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of corrective action taken is not fully known at this time.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-011

Fiscal year in which the finding initially occurred: 2016

Corrected as of Feb. 2020.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-012

Fiscal year in which the finding initially occurred: 2016

Partially Corrected. The corrective action plan was implemented as of 2020. IDOE required that backup documentation be provided on each reimbursement to align to the approved plan. Internal controls, with two individuals, to provide the required documentation to IDOE. Reimbursement alignment to the grant are believed to be fully compliant January 2020 forward; however, upon review, this has not been fully corrected for payroll expenses. During testing, an employee paid in March 2020 did not have documentation of time or effort.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-013

Fiscal year in which the finding initially occurred: 2016

Corrected. The corrective action plan was implemented as of 2020. IDOE required that backup documentation be provided on each reimbursement to align to the approved plan. Internal controls, with two individuals, to provide the required documentation to IDOE. Reimbursement alignment to the grant are believed to be fully compliant January 2020 forward.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-014

Fiscal year in which the finding initially occurred: 2016

During the audit period, there was a high level of turnover in the administration of GCSC. The current administration was hired after the audit period and the status of corrective action taken is not fully known at this time.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-015

Fiscal year in which the finding initially occurred: 2018

This has not been corrected. A proper inventory system has not yet been implemented.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-016

Fiscal year in which the finding initially occurred: 2016

The U.S. Department of Education issued guidance that districts such as Gary, where all schools are Title I, are exempt from the Title I supplement not supplant methodology. We request that this finding be removed due to the inapplicability. <https://www.doe.in.gov/sites/default/files/titlei/title-i-supplement-not-supplant-guidance.pdf> 5.19.21. SBOA states that they cannot review the prior audit finding, which is understood. However, during the audit period, GCSC was exempt from the supplement not supplant methodology requirements, so there is nothing to test. Earmarking - Parental Involvement and Homeless compliance requirements have been corrected, however, internal controls have not been implemented.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-017

Fiscal year in which the finding initially occurred: 2018

Correct in February 2020 for the FY 2021 grant. However, it was not corrected for FY 19 or FY 20.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-018

Fiscal year in which the finding initially occurred: 2016

Corrected as of July 2018, GCSC is fully compliant with having the appropriate documentation for student transfer records, missing records etc. within the graduation cohorts.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-019

Fiscal year in which the finding initially occurred: 2018

The corrective action plan was implemented as of 2020. January 2020, GCSC is compliant.



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CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO

Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to the payroll withholding deficiency, corrective action was taken January 1, 2020 with the new software conversion utilizing the LOW financial system to record timely and accurate payroll transactions.

As it relates to gross payroll, a procedure will be implemented that an approval signature sheet of the gross payroll amounts along with supporting payroll ledgers will be created, reviewed and signed by the Chief Financial Officer and Manager each pay period to ensure accuracy and compliance.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by June 2021.



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CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO
Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to the preparation and reporting of the Schedule of Expenditures of Federal Awards (SEFA), a procedure will be implemented that improves internal controls to prevent, detect, correct errors on the SEFA prior to submission. The Federal Programs Coordinator will prepare the SEFA, with review and approval by the Federal Programs Director and Chief Financial Officer to ensure accuracy and compliance.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2021.



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CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO
Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to activities allowed or unallowed for Child Nutrition, a policy and procedure will be implemented for supporting documentation on food service expenditures from Sodexo. In addition to the time and materials report given with the Sodexo invoices, we will require the vendor to provide all supporting invoices for items purchased and time and labor costs. In addition, a policy and procedure will be implemented to ensure the correct indirect cost allocation when submitting the application and required documentation to the Office of School Finance. This application submission will be prepared by the Chief Financial Officer and reviewed by the GCSC Manager to ensure accuracy and completion. The policy will contain language specific to the consideration of direct and indirect cost calculations and providing all supporting documentation for the determination of allowable and unallowable costs. GCSC will ensure indirect costs are charged according to the approved indirect cost rate. As it relates to special test and provisions to the School Food Accounts, a procedure will be implemented for the recording of receipts and expenditures within the food service accounts and the timeliness of the account reconciliations to be completed by the District Treasurer.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2021.



Gary Community School Corporation

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900 Gerry Street • Gary, IN 46406 • (219) 881-5536

Nicole Wolverton, Chief Financial Officer

nwolverton@garycsc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2020-004

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO
Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to cash management for food service, a policy and procedure will be implemented to review all cash balances on a monthly basis for Child Nutrition so that the net cash resources do not exceed the three months average expenditures. This review will be completed by the District's Treasurer and Chief Financial Officer.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2021.



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CORRECTIVE ACTION PLAN

FINDING 2020-005

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO
Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to procurement and suspension and debarment, an updated policy will be created to ensure purchase thresholds are compliant with federal guidance and all vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal award programs. The Federal Programs Administrative Assistant will be reviewing all District vendors on SAM.GOV and documenting the compliance. As it relates to procurement, requirements for purchases which exceed the simplified acquisition threshold of \$150,000 will have a documented contract or agreement on file for federal compliance. In addition, the procedure will include documentation standards for obtaining rate quotes for purchases of goods and services exceeding \$10,000 qualifying as small purchases. As it relates to the contract services provided by a food service management company (FSMC), a policy will be implemented on requiring the supporting documentation to support the expenditures charges by the FSMC with thorough review by the Food Service Director and Chief Financial Officer prior to payment to the FSMC.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2021.



Special Populations Department
900 Gerry Street, Gary, IN 46406
(219) 881-5405, 219-881-5452

Nathan Williamson, Federal Programs-Chief Business Officer
Director of Special Populations
nwilliamson@garycsc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2020-006

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: 317-478-1975

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to retaining proper documentation for an audit for allowable activities, cost principles, and period of performance, a policy and procedure will be implemented regarding the documentation and retention of records. Review and approval of activities reimbursed by the Special Education Grants to States and Special Education Preschool Grants will have the appropriate backup documentation (e.g. invoices, purchase orders, contracts, receipts) to ensure alignment and allocability to the IDOE grant, as well as documentation that funds were encumbered within the financial system by the respective period of performance end date.

These activities will be reviewed and approved by two separate individuals.

Anticipated Completion Date: August 2021

FINDING 2020-007

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: 317-478-1975

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to Suspension and Debarment, contracts over \$25,000 will continue to be checked on Sam.gov for registration and documentation kept, but will include the section that relates to any exclusions.

As it relates to procurement, an updated internal policy will be communicated to purchasing staff to ensure compliance with micro, simplified, and large purchase thresholds and the appropriate documentation and processes for each. Furthermore, the local business preference will be removed from the local policies.



Special Populations Department

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Nathan Williamson, Federal Programs-Chief Business Officer

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These activities will be reviewed and approved by two separate individuals.

Anticipated Completion Date: August 2021

FINDING 2020-008

Contact Person Responsible for Corrective Action: Nathan Williamson

Contact Phone Number: 317-478-1975

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to Maintenance of Effort, IDOE is updating its processes regarding how LEAs will maintain and receive approval of their MOE declarations.

GCSC will work with IDOE to receive sign-off regarding the processes needed to demonstrate MOE, and then will keep respective documentation demonstrating compliance.

These activities will be reviewed and approved by two separate individuals.

Anticipated Completion Date: January 2022



Federal Programs Department
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Shalanda Robinson: Office Coordinator
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CORRECTIVE ACTION PLAN

FINDING 2020-009

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:
We concur with the audit finding.

Description of Corrective Action Plan:
As of March 2020, GCSC put in place location codes to identify Homeless and Parental expenses.

Anticipated Completion Date:
Completed on March 2020

FINDING 2020-010

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317)478-1975

Views of Responsible Official:
We concur with the audit finding

Description of Corrective Action Plan:
As it relates to Time and Effort Logs and Semi-Annual Certifications, corrective action was taken in March 2020 to ensure logs and certifications are collected from each individual that are paid salaries from Title. A spreadsheet has been created as a check and balance. In addition, corrective action has been taken in July 2020 to ensure the correct percentage of salary that is entered in the grant matches what is being paid to each employee. A spreadsheet, which includes the percentage paid from Title, is used as a check and balance to audit each payroll.

As it relates to Indirect Cost, the district will submit and retain on file the supporting documentation along with our Indirect cost rate application. The indirect cost rate application is submitted electronically to the IDOE by the Chief Financial Officer and reviewed and approved by the GCSC Manager.

As it relates to the Indirect Cost that was calculated at the reimbursement level, GCSC had already identified that we over-requested the indirect cost rate, and had determined a plan with IDOE to under-request the next year to address this



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deficiency. (The state suggested that we under-request on our first reimbursement that was done in April 2020. The dollar amount the was under-requested was \$113,201.41.) However, in order to ensure that GCSC does not overcharge the indirect cost rate again in the future, we will request ICR as we go when direct activities are charged, by calculating the modified total direct cost (which removes property and figures above \$25,000 from professional services) to the ICR. Two individuals will sign off on the reimbursement signifying that the MTDC was calculated correctly.

Anticipated Completion Date:

Completed on March 2020

FINDING 2020-011

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:

We concur with the audit finding

Description of Corrective Action Plan:

As it relates to student eligibility, a policy and procedure will be implemented regarding the documentation and retainment of records regarding enrollment and poverty figures for students. The RT (real time) reports will be prepared by the Testing, Assessment, and Planning staff and reviewed by the Department head to ensure accuracy and compliance.

GCSC has already implemented a procedure to accurately collect, report, and document the nonpublic enrollment and poverty for participating nonpublic schools. Each spring, GCSC staff request the data of each participating nonpublic school via a common spreadsheet of student information, including addresses and poverty information, to determine Title I eligibility and to calculate the nonpublic equitable share. The spreadsheets are discussed in timely and meaningful consultation with all nonpublic schools who are participating, and then reviewed and approved by two different GCSC staff. That data is then reported via the Title I application to IDOE.

Anticipated Completion Date:

October 2021 (testing). March 2021 (nonpublic school data).

FINDING 2020-012

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:

We concur with the finding



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Description of Corrective Action Plan:

As it relates to supporting documentation for reimbursements, as of May 2021, each reimbursement request is signed off by the Federal Program Coordinator to ensure all supporting documents are attached before the Administrative Assistant enters the request for reimbursement.

As it relates to expenditures not recorded properly by fund, account and object code, a procedure will be implemented to review expenditures by fund on a monthly basis to ensure accuracy and compliance. This review will be completed by the Federal Programs staff and District Treasurer.

As it relates to expenditures not matching the amounts reported on the request for reimbursement reports, a spreadsheet has been established to enter what has been requested and will be matched with each receipt after reimbursement. This will be the check and balance before entering the final numbers for the final expenditure report.

Anticipated Completion Date:

September 2021

FINDING 2020-013

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

As it relates to Suspension and Debarment, contracts over \$25,000 will continue to be checked on Sam.gov for registration, but will include the section that relates to any exclusions and documentation will be kept.

As it relates to the lack of documentation for quotes, an updated internal policy will be communicated to purchasing staff to ensure compliance with micro, simplified, and large purchase thresholds and the appropriate documentation and processes for each.

As it relates to local businesses receiving a 10 percent preference, we should have an updated district wide policy and procedure manual including procurement policy by fall 2021.

Anticipated Completion Date:

Fall 2021



Federal Programs Department
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FINDING 2020-014

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

As it relates to tracking of planned services by private schools, the Diocese of Gary has been broken down into individual schools and location codes have been assigned to each school instead of the generic code. This would allow for reports to be ran by school locations which would coincide with expenses budgeted and expended through the grant.

Anticipated Completion Date:

March 2020

FINDING 2020-015

Contact Person Responsible for Corrective Action: Nathan Williamson
Contact Phone Number: (317) 478-1975

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

As it relates to assessment system security, a policy will be implemented training staff on test security and procedures on an annual basis. This training will be documented to include sign-in sheets and retained at the building level to ensure compliance.

Anticipated Completion Date:

September 2021

Thank You
Shalanda Robinson
Federal Program Coordinator

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/>.