

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED

06/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lela Simmons	07-01-19 to 06-30-22
Superintendent of Schools	Dr. Paige McNulty	07-01-19 to 08-14-19
	Tamara Pol	08-15-19 to 09-17-19
	Dee-Etta Wright	09-18-19 to 07-06-21
	(Vacant)	07-07-21 to 07-13-21
	Dr. Steven C. Disney, Jr	07-14-21 to 10-13-21
	Dr. Shaunna Finley	10-14-21 to 06-30-22
President of the School Board	Vanessa Hernandez-Orange	07-01-19 to 06-30-22



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of East Chicago (School Corporation), for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated May 18, 2022, 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 2021-001 and 2021-002, 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 2021-001 and 2021-002.

School City of East Chicago's Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

May 18, 2022



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School City of East Chicago's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2019 to June 30, 2021. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Disclaimer Opinion on Child Nutrition Cluster

As described in items 2021-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Service Accounts, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

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

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

As described in item 2021-007 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Basis for Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in item 2021-009 and 2021-010 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with COVID-19 - Education Stabilization Fund regarding Reporting and Special Tests and Provisions - Participation of Private School Children. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Disclaimer of Opinion on Child Nutrition Cluster

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on 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 Child Nutrition Cluster for the period of July 1, 2019 to June 30, 2021.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2019 to June 30, 2021.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on COVID-19 - Education Stabilization Fund* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 - Education Stabilization Fund for the period of July 1, 2019 to June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2019 to June 30, 2021.

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 2021-003, 2021-004, and 2021-006. Our opinion on each major federal program is not modified with respect to these matters.

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 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 2021-003 through 2021-010, that we consider to be material weaknesses.

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

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

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

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement. We issued our report thereon dated May 18, 2022, 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 18, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2019-2020	\$ -	\$ 706,892	\$ -	\$ -
School Breakfast Program			FY 2020-2021	-	-	-	62,772
				<u>-</u>	<u>-</u>	<u>-</u>	<u>62,772</u>
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2019-2020	-	76,461	-	-
School Breakfast Program			FY 2020-2021	-	-	-	100,561
				<u>-</u>	<u>-</u>	<u>-</u>	<u>100,561</u>
Total - School Breakfast Program				<u>-</u>	<u>783,353</u>	<u>-</u>	<u>163,333</u>
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2019-2020	-	1,577,654	-	-
National School Lunch Program			FY 2020-2021	-	-	-	144,889
National School Lunch Program - Commodities			FY 2019-2020	-	208,221	-	-
National School Lunch Program - Commodities			FY 2020-2021	-	-	-	260,028
				<u>-</u>	<u>-</u>	<u>-</u>	<u>260,028</u>
Sub Total - National School Lunch Program				<u>-</u>	<u>1,785,875</u>	<u>-</u>	<u>404,917</u>
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2019-2020	-	147,083	-	-
National School Lunch Program			FY 2020-2021	-	-	-	193,238
				<u>-</u>	<u>-</u>	<u>-</u>	<u>193,238</u>
Total - National School Lunch Program				<u>-</u>	<u>1,932,958</u>	<u>-</u>	<u>598,155</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 2019-2020	-	36,350	-	-
Summer Food Service Program			FY 2020-2021	-	-	-	1,025,963
				<u>-</u>	<u>-</u>	<u>-</u>	<u>1,025,963</u>
Total - Summer Food Service Program for Children				<u>-</u>	<u>36,350</u>	<u>-</u>	<u>1,025,963</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>2,752,661</u>	<u>-</u>	<u>1,787,451</u>
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			FY 2019-2020	-	165,031	-	-
Child and Adult Care Food Program			FY 2020-2021	-	-	-	5,589
				<u>-</u>	<u>-</u>	<u>-</u>	<u>5,589</u>
Total - Child and Adult Care Food Program				<u>-</u>	<u>165,031</u>	<u>-</u>	<u>5,589</u>
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY 2019-2020	-	84,115	-	-
Fresh Fruit and Vegetable Program			FY 2020-2021	-	-	-	7,814
				<u>-</u>	<u>-</u>	<u>-</u>	<u>7,814</u>
Total - Fresh Fruit and Vegetable Program				<u>-</u>	<u>84,115</u>	<u>-</u>	<u>7,814</u>
Total - Department of Agriculture				<u>-</u>	<u>3,001,807</u>	<u>-</u>	<u>1,800,854</u>

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Department of Energy							
State Energy Program	Office of Energy Development	81.041					
State Energy Program			DE-EE0008647	-	-	-	41,667
Total - Department of Energy				-	-	-	41,667
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027					
Special Education Grant			18611-012-PN01	-	230,436	-	-
Special Education Grant			19611-012-PN01	-	276,819	-	224,259
Special Education Grant			20611-012-PN01	-	603,529	-	257,548
Special Education Grant			21611-012-PN01	-	-	-	554,284
Total - Special Education Grants to States				-	1,110,784	-	1,036,091
Special Education Preschool Grants							
	Indiana Department of Education	84.173					
Special Education Preschool Grant			18619-012-PN01	-	10,507	-	-
Special Education Preschool Grant			19619-012-PN01	-	5,720	-	10,634
Special Education Preschool Grant			20619-012-PN01	-	34,812	-	4,897
Special Education Preschool Grant			21619-012-PN01	-	-	-	38,053
Total - Special Education Preschool Grants				-	51,039	-	53,584
Total - Special Education Cluster (IDEA)							
				-	1,161,823	-	1,089,675
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010					
Title I Basic Grant			S010A180014	-	1,621,131	-	233,277
Title I Basic Grant			S010A190014	-	2,577,014	-	1,055,091
Title I Basic Grant			S010A200014	-	-	-	1,214,442
Title I School Improvement Grant			S010A180014	-	150,000	-	-
Title I School Improvement Grant			S010A190014	-	115,496	-	409,290
Title I School Improvement Grant			S010A200014	-	-	-	100,349
Total - Title I Grants to Local Educational Agencies				-	4,463,641	-	3,012,449
Career and Technical Education - Basic Grants to States							
	Indiana Department of Education	84.048					
Carl Perkins Career and Technical Education			17-4700-4670	-	28,255	-	-
Carl Perkins Career and Technical Education			18-4700-4670	-	86,031	-	4,254
Carl Perkins Career and Technical Education			19-0512-4670	-	80,575	-	91,462
Carl Perkins Career and Technical Education			20-0512-4670	-	-	-	70,081
Total - Career and Technical Education - Basic Grants to States				-	194,861	-	165,797
English Language Acquisition State Grants							
	Indiana Department of Education	84.365					
English Language Acquisition			S365A170014	-	45,296	-	-
English Language Acquisition			S365A180014	-	40,731	-	9,147
English Language Acquisition			S365A190014	-	-	-	2,035
English Language Acquisition			S365A200014	-	-	-	13,278
Total - English Language Acquisition State Grants				-	86,027	-	24,460

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2020 and 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Supporting Effective Instruction State Grants			S367A170013	-	76,043	-	-
Supporting Effective Instruction State Grants			S367A180013	-	122,080	-	22,102
Supporting Effective Instruction State Grants			S367A190013	-	119,752	-	127,780
Supporting Effective Instruction State Grants			S367A200013	-	-	-	26,781
Total - Supporting Effective Instruction State Grants				-	317,875	-	176,663
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Student Support and Academic Enrichment Program			S424A180015	-	215,179	-	10,611
Student Support and Academic Enrichment Program			S424A190015	-	5,934	-	35,823
Student Support and Academic Enrichment Program			S424A200015	-	-	-	9,401
Total - Student Support and Academic Enrichment Program				-	221,113	-	55,835
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief (GEER) Fund			S425C200018	-	-	-	329,709
Elementary and Secondary School Emergency Relief (ESSER) Fund			S425D200013	-	-	-	176,901
Elementary and Secondary School Emergency Relief (ESSER) Fund			S425D210013	-	-	-	392,355
Total - COVID-19 - Education Stabilization Fund				-	-	-	898,965
Total - Department of Education				-	6,445,340	-	5,423,844
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program		93.778					
Medicaid - IEP	Indiana Family Social Services Administration		FY 2020, FY 2021	-	77,488	-	59,303
Medicaid - MAC	Indiana Department of Education		FY 2020, FY 2021	-	122,766	-	183,491
Total - Medical Assistance Program				-	200,254	-	242,794
Total - Medicaid Cluster				-	200,254	-	242,794
Maternal and Child Health Services Block Grant to the States	Indiana State Department of Health	93.994					
Maternal and Child Health Service			FY 2018	-	13,643	-	-
Total - Department of Health and Human Services				-	213,897	-	242,794
Total federal awards expended				\$ -	\$ 9,661,044	\$ -	\$ 7,509,159

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2020 and 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Disclaimer
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Qualified
84.425	COVID-19 - Education Stabilization Fund	Qualified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2021-001

Subject: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

Condition and Context

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

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

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

Cash and Investments (Bank Reconciliations)

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

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

The July 2019 through July 2021 monthly bank reconciliations were not prepared until April 2022, when requested for audit.

Since June 30, 2020, the monthly bank reconciliations of the School Corporation bank accounts did not agree to the record balance, resulting in monthly variances. At June 30, 2020 and 2021, the adjusted bank balance was greater than the record balance by \$152,736 and \$7,224, respectively. The June 30, 2021 bank reconciliation omitted \$49,841 in reconciling items for state distributions received in fiscal year 2020-2021, but not yet recorded in the ledger. The financial statement was not adjusted for these variances.

The School Corporation maintained a bank account that was used to process medical claims when the School Corporation was self-insured. The monthly reconciliations for the Medical Insurance Account accumulated numerous transactions and corrections, some of which dated back to 2010, that were not posted timely to the financial records. The numerous transactions and corrections resulted in the following items not being posted timely: a \$280 negative adjustment for bank errors, \$3,176 understatement of receipts, \$411,099 overstatement of disbursements due to corrections to payments, and \$391,548 understatement of disbursements for medical claims not recorded in the records.

The net effect of the numerous transactions and corrections resulted in a negative adjustment of \$23,006, as of June 30, 2021. The financial statement was not adjusted for these posting errors.

Receipts

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

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

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

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

Payroll Disbursements

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

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

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

Receipts and Disbursements - Transfers Between Funds

The School Corporation had not properly designed or implemented internal controls over recording transactions for transfers between funds to ensure the accuracy of the ledgers.

The Treasurer recorded the transfers between funds to the financial system without a documented system of oversight or review

Financial Reporting

The School Corporation did not have a system of internal control over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The AFR was submitted by one individual without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

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.

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

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. . . ."

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

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

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

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

Cause

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

Effect

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

Views of Responsible Officials

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

FINDING 2021-002

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 2019-002.

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

Condition and Context

The School Corporation had not established effective 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 failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The COVID-19 - Education Stabilization Fund was omitted, which understated expenditures by \$898,965, for fiscal year 2020-2021.
2. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$2,962,010.
3. Other errors included incorrect program names, pass-through entities, federal assistance listings numbers, and identifying numbers.

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 . . ."

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

2 CFR 200.61 states:

"Internal controls. Internal controls means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
- (b) Reliability of reporting for internal and external use; and
- (c) Compliance with applicable laws and regulations."

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. . . ."

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. 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 Assistance Listings Number or other identifying number when the Assistance Listings 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(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.

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

- (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."

Cause

Management had not established an effective system of internal control 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*.

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 2021-003

Subject: Child Nutrition Cluster - Procurement

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

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019-2020; FY 2020-2021

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have a system of internal control in place for the acquisition of property and services that fell within the small purchase procedures. The School Corporation did not have a system of internal control in place to ensure that vendors were not suspended or debarred or otherwise excluded from participating in federal assistance programs prior to entering into contracts that exceeded \$25,000.

Procurement

The School Corporation did not obtain contracts for purchases of goods or services between \$50,000 and \$150,000, as required by Indiana Code, which fell under the small purchase procedures. All three of the small purchase procurements tested did not have a contract.

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

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. Two of the three contracts tested were not verified to ensure the vendors 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(a) states: "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."

2 CFR 200.318(i) states:

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

Indiana Code 5-22-8-3(d) states: "If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required."

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. . . ."

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

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 control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal control enabled material noncompliance 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 control 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.

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

FINDING 2021-004

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, Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019-2020; FY 2020-2021
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

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 Cash Management compliance requirement.

Sponsor Claims for Reimbursement (Claims) were submitted to the Indiana Department of Education (IDOE) based upon meals served for the month. Although one employee reviewed the Claims prepared by the food service management company (FSMC), the November 2020 Claim was not accepted by the IDOE because it was not filed timely. This Claim totaled \$79,223.

The FSMC prepared Claims based on information from the food service software system. For four of the eight claims tested, there were differences between the Claims submitted and the reports from the food service software system. Three of the four Claims had more meals served than the software system, which resulted in overclaimed meals totaling \$10,491. One of the four Claims had less meals served than the software system, which resulted in underclaimed meals totaling \$17,375.

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). . . ."

7 CFR 220.9(a) states in part: ". . . In no event shall the School Food Authority claim reimbursement for free and reduced priced breakfasts in excess of the number of children approved for free and reduced price meals."

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

7 CFR 220.11(d) states in part:

"The school food authority shall establish internal controls which ensure the accuracy of breakfast counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the breakfast counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid breakfast counts against data which will assist in the identification of breakfast counts in excess of the number of free, reduced price and paid breakfasts served each day to children eligible for such breakfasts; and a system for following up on those breakfast counts which suggest the likelihood of breakfast counting problems. . . ."

7 CFR 210.7(c) states in part:

"Reimbursement limitations. To be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation. . . ."

7 CFR 210.8(a) states in part:

"Internal controls. The school food authority shall establish internal controls which ensure the accuracy of meal counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the meal counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid meal counts against data which will assist in the identification of meal counts in excess of the number of free, reduced price and paid meals served each day to children eligible for such meals; and a system for following up on those meal counts which suggest the likelihood of meal counting problems. . . ."

7 CFR 225.15(c) states in part:

"Records and claims.

- (1) Sponsors shall maintain accurate records justifying all meals claimed . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply 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 2021-005

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

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019-2020; FY 2020-2021

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

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 Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements.

The School Corporation had not designed or implemented a system of internal control 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 July 1, 2019, with a food service management company (FSMC). Four invoices for payment to the food service management company, which totaled \$711,229, were selected for testing. Supporting documentation was presented for only \$335,692 of the costs invoiced. Due to the lack of supporting documentation, we were unable to determine if the remaining costs paid, \$375,537, 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 \$872. These unallowable costs were considered questioned costs.

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

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 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 . . ."

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

7 CFR 210.14(a) states in part:

"(a) *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 200.403 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 control 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, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements.

Effect

The failure to establish an effective system of internal control and retain appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Activities Allowed or Unallowed, the Allowable Costs/Cost Principles, and the Special Tests and Provisions - School Food Service Accounts compliance requirements.

Questioned Costs

Known questioned costs of \$376,409 were identified as explained in the *Condition and Context*.

Recommendation

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

SCHOOL CITY OF EAST CHICAGO
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 2021-006

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Agriculture

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014, S010A200014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the reason for a student being removed from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

The Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement necessitated that for students removed from the high school graduation cohort for mobility reasons there be proper written documentation to support the identified mobility code. Of the 23 students tested, 2 students did not have the required supporting documentation to substantiate removal from the cohort for mobility reasons, and 3 students did not have any supporting documentation.

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). . . ."

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

20 USC 7801(23)(B) states:

"To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased."

Cause

Management had not established a system of internal control that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective system of internal control enabled noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2021-007

Subject: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014,
S010A200014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-006.

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

Condition and Context

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

Eligibility for Title I was determined on the Eligible School Summary of the Title I application. The Indiana Department of Education prepopulated the School Corporation's enrollment and poverty numbers based upon Real Time Data (RT) reports that were updated weekly by the School Corporation and the Pupil Enrollment Summary Report (DOE-PE). The RT reports were generated by the School Corporation without oversight or review. The nonpublic enrollment and poverty figures were manually entered at the School Corporation without oversight or review.

Summary data of nonpublic enrollment and poverty was sent to the School Corporation by participating nonpublic schools. The summary data should have been accompanied by a list of students and their poverty (socioeconomic) status as supporting documentation. Due to turnover in the Title I department, the School Corporation did not obtain or retain supporting documentation for the nonpublic schools. We were unable to test the accuracy of the information entered into the Title I application for nonpublic enrollment and poverty figures.

The lack of internal controls, lack of 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:

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

34 CFR 200.78(a)(1) states:

"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."

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. . . ."

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

Cause

Management had not established a system of internal control 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 an effective internal control system and retain appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure that documentation will be maintained and 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.

FINDING 2021-008

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

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.

The Director of Federal Programs maintained a budget to actual expenditure spreadsheet; however, there was no review or oversight to ensure earmarking requirements were met.

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:

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

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

Cause

Management had not established a system of internal control that would have ensured compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish a system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and 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 2021-009

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425

Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

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 Reporting compliance requirement. The School Corporation did not have effective internal controls to ensure that documentation regarding the annual Elementary and Secondary School Emergency Relief (ESSER) and the Governor's Emergency Education Relief (GEER) annual Data Collection reports (Reports) were prepared, reviewed, and retained for audit.

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

The School Corporation failed to retain documentation to support the amounts entered on the ESSER and GEER annual Data Collection reports. Key line items on the Reports for FTE Positions as of March 13, 2020, and September 30, 2020, were calculated using data from the School Corporation's financial system; however, the documentation to support the FTE positions reported was not retained for audit. Due to the lack of supporting documentation, we were unable to determine if the Reports were accurate.

Additionally, financial amounts on the Reports were incorrect and included the following errors:

1. The Subgrant Funds Expended for Public Schools was overstated by \$186,671.
2. The Subgrant Used Funds For Educational Technology amount was overstated by \$167,380.
3. The Subgrant Used Funds For Sanitation amount was overstated by \$19,291.

The lack of internal controls, lack of supporting documentation for the Annual Data Collection Reports, 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 200.302(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 §§ 200.328 and 200.329. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

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. . . ."

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

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

Cause

Management had not established a system of internal control 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 establish an effective system of internal control and retain appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure that documentation will be maintained and made available for audit and comply with 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 2021-010

Subject: COVID-19 - Education Stabilization Fund - Special Tests
and Provision - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425

Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Condition 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 Special Tests and Provisions - Participation of Private School Children compliance requirement. The School Corporation did not have effective internal controls in place to ensure that the amount calculated for equitable services on the GEER I application was calculated correctly, and that supporting documentation was retained for audit. The School Corporation did not have internal controls in place to ensure that equitable services to eligible private schools were provided to students.

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

The School Corporation failed to retain documentation to support the amounts calculated for equitable services on the GEER I application. Due to the lack of supporting documentation, we were unable to determine if the amounts calculated for equitable services were accurate.

The lack of internal controls was a systemic issue throughout the audit period. The lack of supporting documentation was isolated to the GEER I application.

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). . . ."

The CARES Act P. CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (Mar. 27, 2020) Section 18005(a) states:

"IN GENERAL — A local educational agency receiving funds under sections 18002 or 18003 of this title shall provide equitable services in the same manner as provided under section 1117 of the ESEA of 1965 to students and teachers in non-public schools, as determined in consultation with representatives of non-public schools."

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."

20 USC 6320(c)(1) states:

"A local educational agency shall have the final authority, consistent with this section, to calculate the number of children, ages 5 through 17, who are from low-income families and attend private schools by-

- (A) using the same measure of low income used to count public school children;

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

(B) using the results of a survey that, to the extent possible, protects the identity of families of private school students, and allowing such survey results to be extrapolated if complete actual data are unavailable;

(C) applying the low-income percentage of each participating public school attendance area, determined pursuant to this section, to the number of private school children who reside in that school attendance area; or

(D) using an equated measure of low income correlated with the measure of low income used to count public school children."

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. . . ."

Cause

Management had not established a system of internal control that would have ensured compliance, or that documentation was maintained and available for audit, related to the Special Tests and Provisions - Participation of Private School Children compliance requirement.

Effect

The failure to establish an effective system of internal control and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provision - Participation of Private School Children compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Special Tests and Provision - Participation of Private School Children compliance requirement.

Views of Responsible Officials

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

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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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

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

Contact Person Responsible for Corrective Action: Lela Simmons, CFO

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

Status of Audit Finding:

Still in Progress: A procedure manual is being created by the school district financial software company and the district finance team. The district started working with RDS in December of 2019. At this time the Finance department had a large staff turnover and the pandemic shut down slowed down the process. The correction action has had a slow process. At this time bank statements are still behind. The finance department just added two new employees to assist in monthly transactions and daily task. This will help the department separation of duties.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding:

Still in Progress: The SEFA procedures are being update to reflect real time reporting. The responsibility of preparing the SEFA is currently being review by the finance team. The district reviewing responsibility roles in all departments. The SEFA is currently handled by the Finance department (CFO), the report portion may be prepared by the Data Analysis department. Updating process.

Anticipated Completion Date: School City of East Chicago plan to all policies and procedures in place by 09/30/2022

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-003

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding:

Still in Progress: A procedure has been put in place to monitor the Cash Management for School National Lunch Program. Due to staff turnover and staff working from home the task had minimum control. The some procedures are in place with minor changes in progress due to staff changes.

Anticipated Completion Date: School City of East Chicago plan to all policies and procedures in place by 09/30/2022

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-004

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding: Completed. Bids are stored in the CFO office.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-005

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding: Completed. Equipment purchased with Federal Funds require a surface label and logged into a spread sheet. Any disposable, damaged, or stolen equipment is logged and report to the proper staff member. All documents are located in the Special Education department. Inventory Audit listing is still in progress.

Anticipation Competition Date: School City of East Chicago plan to all policies and procedures in place by 09/30/2022 for the Inventory Audit listing.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-006

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding: Still Progress: Due to the change of Title Director and Data Analysis staff, this internal control is still in progress. Prior did not pass on all the data information to complete this task.

Anticipated Completion Date: School City of East Chicago plan to all policies and procedures in place by 09/30/2022

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-007

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding: Completed: All reports were reviewed and signed off on by the Title Director. Completed by June 30, 2019. Communication was established with Non Pubs through email or phone conversation monthly.

Anticipated Completion Date: Completed June 30, 2019

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-008

Fiscal year in which the finding initially occurred: 07/1/17 – 06/30/19

Status of Audit Finding: Completed: All employees were listed on rosters and require to sign in. Building STC reviewed all documents and ensured all employees that was required to take the training were completed.

Anticipated Completion Date: School City of East Chicago plann to all policies and procedures in place by 06/30/19

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Lela Simmons, Chief Financial Officer

FINDING 2021-001

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number: (219) 391-4100 Ex 12365

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Cash and Investments (Bank Reconciliation): More staff will be added to ensure Bank Reconciliations are completed monthly and other task on or before due date. A policy and procedure will be created to ensure that the bank reconciliations are prepared, reviewed, and approved by separate parties which creates a check and balance for internal controls. All entries and/or adjustments for bank reconciliations will be posted in a timely manner within the following month they are completed. Staff for the Business Office of whom will be trained on receipting and disbursement transactions and will assist the Chief Financial Officer in completing bank reconciliations and other duties for the district finances. The Chief Financial Officer will work in collaboration with the Payroll Department to review internal controls regarding review of pay rates and salary schedules to ensure accuracy and completeness. A policy and procedure will be created or updated in regarding to payroll processing with additional signatures on bi-weekly payroll and a training on learning Fund, Account, and Object numbers to approve payroll. The Chief Financial Officer will work with the Payroll and the Board of Directors to create Salary Schedules for the District. The Annual Financial Report (AFR) Gateway will be added to one Finance Team Member job description. This team member will gather all data and reports, entry the data into Gateway and ensure information entered matches reports. The AFR will be review in details by the CFO and submitted in Gateway. All documents will be stored in the Finance office.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-002

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number: (219) 391-4100 Ex 12365

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

SEFA report will follow the process as AFR. Staff will gather all documents and entry the data into Gateway. The CFO will review all data and documents for final approval. A policy and procedure will be created and implemented to ensure that all reports prepared by the Business Office to ensure all data is accurate prior to reporting to any outside entity. A reconciliation of the accounts will also be performed by the School Corporation Business Office to ensure proper accounting of funds. Reports will be compared to School City Reports, RDS reports and any other reporting document for reconciliation.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, **Chief Financial Officer**

FINDING 2021-003

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number: (219) 391-4100 Ex 12365

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Written training will be put in place to ensure all vendors will be reviewed through SAM.gov. All records in the business office in a binder. All purchases over \$50,000 will have all quotes, contracts, and warranties will be attached to the APV. This will ensure all documents are available upon request.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-004

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number: (219) 391-4100 Ex 12365

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

School City of East Chicago is in the process of hiring a Food Service Director. The director responsibilities will be overseeing all function of the Food Management Company. Food Service Director will be required to handle all state reporting. All state reporting documents we be reviewed and signed off by the district CFO. A copy of all documents will be held in the food director office. Monthly meetings will be held with the food service director, director of food management company, and the CFO.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-005

Contact Person Responsible for Corrective Action: Lela Simmons

Contact Phone Number: (219) 391-4100 Ex 12365

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

School City of East Chicago is in the process of hiring a Food Service Director. The director responsibilities will be overseeing all function of the Food Management Company. Food Service Director will be required to draft internal controls for the school corporation to ensure all documentation procedures match the FSMC invoice. All state reporting documents and invoice will continue to be reviewed and signed off by the district CFO. A copy of all documents will be held in the food director office.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-006

Contact Person Responsible for Corrective Action: Cynthia Castro

Contact Phone Number: (219) 391-4100

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

School City of East Chicago will implement internal controls to ensure that exit conferences for each student withdrawal will be held and all documentation will be filed. All documents will be scanned to student software. All students will be properly documented to the state and local entities.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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FINDING 2021-007

Contact Person Responsible for Corrective Action: Cynthia Castro

Contact Phone Number: (219) 391-4100

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

School City of East Chicago is in the process implement internal controls on maintaining on all state required documentation. All non-pubs will supply a list and poverty level of all students.

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

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-008

Contact Person Responsible for Corrective Action: Cynthia Castro

Contact Phone Number: (219) 391-4100 Ex 12341

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

A policy and internal control will be put in place to ensure there is proper compliance with grant agreement and the matching, level of effort, earmarking and reporting compliance. A print out of the current expenses and balances for the monthly cash request will be review by the CFO before the cash request is emailed to the state.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-009

Contact Person Responsible for Corrective Action: Cynthia Castro

Contact Phone Number: (219) 391-4100 Ex 12341

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Due to the change of staffing the proper documents was not retained. The ESSER and GEER grant was being handled by previous Title Director and Superintendent Office. Going forward all documentation on calculation will be held in the Grant binder in the Title 1 office. A policy and internal control will be put in place to ensure all details of the grant has back up to support the figures. Supporting documentation will be signed off by the author of the document and held with the grant paperwork. Any adjustments done to the budget will be document and reviewed by the CFO.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

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Jesse Gomez
Trustee

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School City of East Chicago

Lela Simmons, Chief Financial Officer

FINDING 2021-010

Contact Person Responsible for Corrective Action: Cynthia Castro

Contact Phone Number: (219) 391-4100 Ex 12341

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Due to the change of staffing the proper documents was not located. The GEER grant was being handled out of the Superintendent and Assistant Superintendent office (No longer with the district). Going forward all documentation on calculation will be held in the Grant binder in the Title 1 office. A policy will be put in place to ensure all details of the grant has back up to support the figures.

Anticipated Completion Date: We anticipate having the above corrective action plan in place by November 15, 2022

Board of School Trustees

Vanessa Hernandez-Orange
President

Diane Smith
Vice President

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Secretary

Joel Rodriguez
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Jesse Gomez
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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/>.