

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL CITY OF HAMMOND

LAKE COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
10/21/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Alesia Pritchett	07-01-19 to 12-31-22
Superintendent of Schools	Scott Miller	07-01-19 to 12-31-22
President of the School Board	Deborah White Anna Mamala John Czulno	07-01-19 to 11-01-19 11-02-19 to 12-31-20 01-01-21 to 12-31-22



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the School City of Hammond (School Corporation), for the period of July 1, 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 October 11, 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.

Report on 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) as a basis for designing 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 item 2021-001, 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)

Report on 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 item 2021-001.

School City of Hammond's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

October 11, 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 HAMMOND, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the School City of Hammond's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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.

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 major federal programs for the period of July 1, 2019 to June 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

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)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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 October 11, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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

October 11, 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 HAMMOND
 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 Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	\$ -	\$ 1,636,963	\$ -	\$ -
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	-	126,988	-	-
School Breakfast Program							
Total - School Breakfast Program				-	1,763,951	-	-
National School Lunch Program	Indiana Department of Education	10.555	FY 2019-20	-	4,457,508	-	-
National School Lunch Program			FY 2019-20, FY2020-21	-	590,095	-	754,767
Commodities							
Subtotal - National School Lunch Program				-	5,047,603	-	754,767
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2019-20	-	316,066	-	-
National School Lunch Program							
Total - National School Lunch Program				-	5,363,669	-	754,767
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2019-20	-	141,514	-	-
Summer Food Service Program			FY 2020-21	-	-	-	3,007,848
Summer Food Service Program							
Subtotal - Summer Food Service Program for Children				-	141,514	-	3,007,848
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2019-20, FY2020-21	-	534,967	-	1,526,210
Summer Food Service Program							
Total - Summer Food Service Program for Children				-	676,481	-	4,534,058
Total - Child Nutrition Cluster				-	7,804,101	-	5,288,825
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2019-20	-	60,873	-	-
PACT							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 2019-20	-	171,571	-	-
Other			FY 2020-21	-	-	-	156,861
Other							
Total - Fresh Fruit and Vegetable Program				-	171,571	-	156,861
Total - Department of Agriculture				-	8,036,545	-	5,445,686
Department of Defense							
Army Junior Reserve Officers' Training Corps (JROTC)	Army ROTC	12.000	FY 19-20	-	2,850	-	-
JROTC			FY 20-21	-	-	-	30,932
JROTC							
Total - Army Junior Reserve Officers' Training Corps (JROTC)				-	2,850	-	30,932
Total - Department of Defense				-	2,850	-	30,932
Department of Justice							
Juvenile Justice and Delinquency Prevention	Indiana Department of Justice	16.540	2020-JX-FX-0046	-	-	-	11,983
Title II - Juvenile Justice De							
Total - Department of Justice				-	-	-	11,983

SCHOOL CITY OF HAMMOND
 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 Education							
Special Education Cluster(IDEA)							
Special Education - Grants to States	Indiana Department of Education	84.027					
IDEA Special Ed FY 2018			18611-024-PN01	-	172,720	-	-
IDEA Special Ed FY 2018-2020			H027A180084	-	2,427,313	-	898,466
IDEA Special Ed FY 2019-2021			H027A190084	-	-	-	1,812,130
Total - Special Education - Grants to States				-	2,600,033	-	2,710,596
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed Pre-School 2018-20			H173A190104	-	76,778	-	39,906
Special Ed Pre-School FY 2021			H173A200104	-	-	-	43,802
Total - Special Education Preschool Grants				-	76,778	-	83,708
Total - Special Education Cluster(IDEA)				-	2,676,811	-	2,794,304
Adult Education - Basic Grants to States	Center of Workforce Innovations	84.002					
Adult Ed 18-19 CFDA 84.002			CWI-AE-05- PY18 AE8-01	-	19,363	-	-
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2018-19			S010A180014	-	1,600,831	-	-
Title I 1003(a) School Imp			S010A180014	-	114,111	-	-
Title I 2019-20			S010A190014	-	3,130,016	-	1,470,269
Title I 1003 SIG			S010A190014	-	-	-	169,076
Title I 2020-21			S010A200014	-	-	-	2,804,938
Total - Title I Grants to Local Educational Agencies				-	4,844,958	-	4,444,283
Career and Technical Education - Basic Grants to States	Indiana Governor's Workforce Cabinet	84.048					
2018-19 Carl D. Perkins			19-4700-4710 V048A180014	-	95,448	-	-
2019 - Carl D. Perkins			20-0512-4710	-	493,358	-	115,596
Perkins Assessment Grant			20-0512-A002	-	-	-	9,986
2020 Perkins Summer Bridge			20-0512-SB02	-	-	-	43,125
2020 Carl D. Perkins			21-0512-4710	-	-	-	454,732
Perkins Assess Grant 20-21			21-0512-A002	-	-	-	8,285
Perkins CTE Covid-19 Grant			21-0512-C002	-	-	-	28,772
Total - Career and Technical Education - Basic Grants to States				-	588,806	-	660,496
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney Vento 20/21			7000S196A200015	-	-	-	32,316
McKinney Vento 18/19			S196A180015	-	17,065	-	-
McKinney Vento 19/20			S196A190015	-	35,565	-	-
McKinney Vento 19/20			S196A190015	-	-	-	16,914
Total - Education for Homeless Children and Youth				-	52,630	-	49,230
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Lang Inst 2018-20			S365A180014	-	119,490	-	-
Title III Lang Inst 2018-20			S365A180014	-	-	-	2,897
Title III Lang Inst 2017-19			01118-052-PN01	-	13,374	-	-
Title III Lang Inst 2019-21			S365A190014	-	43,996	-	-
Title III Lang Inst 2019-21			S365A190014	-	-	-	152,567
Title III Lang Inst 2020-22			S365A200014	-	-	-	26,714
Total - English Language Acquisition State Grants				-	176,860	-	182,178
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II A 17/19			S367A170013	-	425,220	-	-
Title II A 18/20			S367A180013	-	306,232	-	204,164
Title II A 19/21			S367A190013	-	-	-	247,327
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	731,452	-	451,491

SCHOOL CITY OF HAMMOND
 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
Student Support and Academic Enrichment Program Title IV Part A Student Support for Title IV Part A Student Support for	Indiana Department of Education	84.424	S424A180015 S424A190015	-	259,323	-	41,475 83,310
Total - Student Support and Academic Enrichment Program				-	259,323	-	124,785
COVID-19 - Education Stabilization Fund GEERF - Gov's Emerg Educ Relief Federal Stimulus - 18003 Educ St ESSER II	Indiana Department of Education	84.425	S425C200018 S425D200013 S425D210013	-	-	-	815,096 1,507,996 2,787,761
Total - COVID-19 - Education Stabilization Fund				-	-	-	5,110,853
Total - Department of Education				-	9,350,203	-	13,817,620
Department of Health and Human Services							
Head Start Cluster							
Head Start							
Headstart 2019 T & T	Geminus Corporation	93.600	2019	-	5,304	-	-
Headstart 2019			2019	-	254,642	-	-
Headstart 2020			2020	-	806,163	-	-
Headstart 2020 T & T			2020	-	6,128	-	-
Headstart 2020			2020	-	-	-	24,901
Headstart 2021 T & T			2021	-	325	-	9,269
Headstart 2021			2021	-	293,950	-	1,362,281
Headstart 2022			2022	-	-	-	353,758
Subtotal - Head Start				-	1,366,512	-	1,750,209
COVID-19 - Headstart	Geminus Corporation	93.600	Covid-19 Expenses	-	-	-	147,732
Total Head Start Cluster				-	1,366,512	-	1,897,941
Medicaid Cluster							
Medical Assistance Program							
Fed Medicaid Rec (66.52%) - IEP	Indiana Family and Social Services Administration	93.778	FY 2020	-	148,204	-	-
Fed Medicaid Rec (66.52%) - IEP			FY 2021	-	-	-	47,291
Fed Medicaid Rec (66.52%) - MAC	Indiana Department of Education		FY 2020	-	111,409	-	-
Fed Medicaid Rec (66.52%) - MAC			FY 2021	-	-	-	189,449
Total - Medical Assistance Program				-	259,613	-	236,740
Total - Medicaid Cluster				-	259,613	-	236,740
Maternal and Child Health Services Block Grant to the States							
Maternal and Child Health Services Block Grant to the States 2019-2020	Indiana State Department of Health	93.994	FY 2019-20	-	8,539	-	-
Maternal and Child Health Services Block Grant to the States 2020-2021			FY 2020-21	-	-	-	8,463
Total - Maternal and Child Health Services Block Grant to the States				-	8,539	-	8,463
Total - Department of Health and Human Services				-	1,634,664	-	2,143,144
Total federal awards expended				\$	19,024,262	\$	21,449,365

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

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

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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 HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	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
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.048	Career and Technical Education - Basic Grants to States	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,214,209

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2021-001

Subject: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

Condition and Context

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

1. The Human Resource Department was able to direct the Payroll Department to make changes to compensation without an oversight or review process that it was approved by the School Board (Board).

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

2. Teacher and administrators' compensation not included in the teacher master contract or the administrative handbook were not reviewed by the Board even though Board signatures were applied to the contracts for the additional compensation.
3. A process was not in place to ensure that all appropriate personnel had a complete, signed contract prior to beginning employment. The following deficiencies were noted:
 - a. Administrator, teacher, and extracurricular contracts were not signed by the employee until the end of the school year. If an employee left employment prior to the end of the school year, a contract signed by the employee and Board would not be available.
 - b. In fiscal year 2019-2020 , the extracurricular contracts were sent through the mail for employee signatures. The School Corporation did not have a procedure or process to verify that all the contracts were signed and returned.
 - c. In 2020-2021, the contracts were prepared through a software program, but there was no review or oversight process to determine if all contracts were signed by the employees. If a contract was not signed by a designated time, the contract was automatically voided within the system and no longer available in the software program.
4. The Board, as part of its meeting process, was provided with a consent agenda related to changes in position, new hires, etc. The consent agenda did not indicate the compensation amount or changes in compensation when warranted.
5. The Board meeting minutes were vague and did not always reflect the Board's decisions or follow-up on prior discussions.
6. The Board, as part of its meetings, approved payroll claims in total, but did not review or request a detailed listing of employee's pay to verify that employee's pay agrees to the amounts that were approved.

As a result, there were instances that the extracurricular pay received could not be verified as approved by the Board.

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. . . ."

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

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)

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

"Except as provided under section 7.3 of this chapter, a contract entered into by a teacher and a school corporation must:

- (1) be in writing;
- (2) be signed by both parties; and . . ."

Indiana Code 20-28-8-2 states in part:

"A contract of employment shall be entered into between the governing body of the school corporation and a principal or assistant principal subject to the following conditions:

- (1) The basic contract must be the regular teacher's contract as prescribed by the secretary of education. . . ."

Cause

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

Effect

The failure to properly establish a system of internal control could have enabled material 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-002

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
Assistance Listings Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 18611-024-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

Condition and Context

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

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

The School Corporation did not meet the earmarking requirements for the 18611-024-PN01 grant award. Based upon the documentation provided for non-public school expenditures, the School Corporation expended \$34,993 of the required \$65,859 earmarked for the Non-Public Proportionate Share for fiscal year 2018-2019.

The lack of effective internal controls was a systemic issue that occurred throughout the audit period. The noncompliance was isolated to the 18611-024-PN01 grant.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.208(b) states in part: "The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

Cause

The School Corporation's management had not established a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the earmarking requirements of 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.

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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.

School City of Hammond

41 Williams Street • Hammond, IN 46320
(219) 933-2400 • www.hammond.k12.in.us



Scott E. Miller, Superintendent

Summary Schedule of Prior Audit Findings

FINDING 2019-001

Fiscal year in which the findings initially occurred 2019

Status of Audit Finding:

The corrective action was taken.

Board of School Trustees

Carlotta Blake-King
Manuel Candelaria Jr.
John Czulno
Lisa Miller
Cindy Murphy

School City of Hammond

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



Mr. Scott E. Miller, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2019-002

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

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

Due to Covid, we were not in person from March 13, 2020 until April, 2021. In August, 2020 the Non-Public Proportionate Share was allocated to newly hired case manager to serve the Non-Pub schools. The case manager provides professional development on the referral process, evaluation process, and Article 7. The case manager also serves as teacher of record.

The spending of the Non-Pub Proportionate Share will be ongoing.

Anticipated Completion Date: ongoing

Board of School Trustees

Carlotta Blake-King
Manny Candelaria Jr.
John Czulno
Lisa Miller
Cindy Murphy



CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Michele Riise, Assistant Superintendent of Human Resources

Contact Phone Number: 219) 933-2400 ext. 1033

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In July 2021, we commenced sending to the Board support for Payroll Voucher(s) which included payments for Supplemental Pay (that covers any extra duties and compensation), Overtime Pay, and Stipends. On August 22, 2022, we started sending to the Board, the Payroll Check Register file for review via Board Docs.

On March 15, 2022 the new internal control approval process for stipends and additional work compensation was shared with the board and rolled out to administrators on March 18, 2022. Subsequently, backup support for the additional work and compensation is being provided to the board as needed. A reminder for these processes were communicated again at Administrator's Retreat that was held in August.

The administrator contracts will be submitted to the board for approval in July and teachers' contracts will be submitted in October of the current school year. Extra-curricular activities (ECA) contract will be submitted no later than November of the current school year. All contracts will be signed by employees after board approval and placed in their personnel file. Signatures will be obtained and verified by the Human Resources (HR) staff.

We will strengthen our minutes process to ensure that it reflects the Board's decisions and follows up on prior discussions.

Anticipated Completion Date: December 31, 2022

Board of School Trustees

Carlotta Blake-King
Manuel Candelaria Jr.
John Czulno
Lisa Miller
Cindy Murphy

School City of Hammond

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Scott E. Miller, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Denona Pryor, Special Education Director
Contact Phone Number: 219) 933-2400 ext. 1081

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To provide non-pub consultations to each non-pub school twice a year. We will share their proportionate share funds and determine how best to expend those funds for students with service plans. At such time, we will be monitoring their year-to-date expenses to ensure the proportionate shares will be totally expended by the end of the grant year. We will meet semi-annually with the Business Office to monitor expenses for possible modifications to ensure monies are fully expended as required for the proportionate share funds for non-public schools.

Anticipated Completion Date: September 30, 2023

Board of School Trustees

Carlotta Blake-King
Manuel Candelaria Jr.
John Czulno
Lisa Miller
Cindy Murphy

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/>.