

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

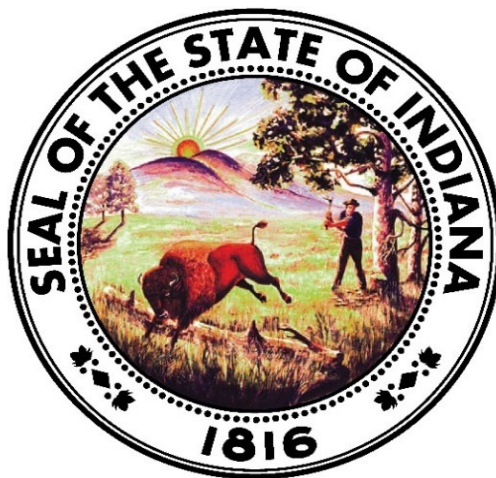
SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF HAMMOND

LAKE COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
12/14/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls over Financial Transactions	4-5
Additional Compensation.....	5-8
Insurance Coverage	8
Average Daily Membership (ADM).....	9
Exit Conference.....	10
Official Response	11-16
Summary of Charges	17
Affidavit	19

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to our audit report of the School City of Hammond (School Corporation), for the period from July 1, 2019 to June 30, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 11, 2022

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

There were 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).
2. Teacher and administrators' compensation not included in the teacher master contract or the administrative handbook was 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:

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

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. . . ."

ADDITIONAL COMPENSATION

Condition and Context

The School Corporation consolidated two existing high schools and opened one new high school for fiscal year 2020-2021. On February 18, 2020, the School Board (Board) approved the consent agenda under Transfers, Promotions, and Demotions category, to transfer the two principals from each of the closing schools. One principal was transferred to the new high school and the other principal to an existing high school for 2021-2022 due to the consolidation.

Under the direction of the Assistant Superintendent of Operations, the Executive Assistant of Human Resources sent an email on March 3, 2020, to the Payroll Department and copied the Assistant Superintendent of Operations. The email was regarding additional compensation for the two principals. The email stated that increased compensation of \$1,121 biweekly was to begin on March 13, 2020 and end on June 19, 2020.

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The additional compensation for 2019-2020 totaled \$8,968 for each principal and the principal's pay histories noted that it was for additional responsibilities as new principal. No documentation was provided for audit that the Board had approved the additional compensation for 2019-2020.

In the following school year, the two principals signed contracts for Extracurricular Services for additional responsibilities - New Principal on April 20, 2021, and May 5, 2021. The contracts were for 2020-2021. The contracts also contained the signatures of the Superintendent of Schools, President of the Board, and Board Secretary.

The additional salaries paid in 2019-2020, without documentation to support Board approval, are considered questioned costs. However, the two principal salaries in question were properly approved by the Board for 2020-2021. Retroactive approval will not remedy the issue of noncompliance, but it could substantiate whether the Board intended for the principals to be paid the increased compensation in 2019-2020.

The Assistant Superintendent of Operations, Dr. Dawn Y. Greene (Greene), sent an email on March 9, 2020, to the Executive Assistant of Human Resources who worked under the direction of Greene. The purpose of the email was to initiate additional compensation for Greene. The email stated: "Due to new responsibilities from the Superintendent, I (Greene) have been granted a stipend of 5 additional days at daily rate/per month until a new Assistant Superintendent is hired." The Executive Assistant of Human Resources responded by email that the increased compensation would be \$2,763.95 per month or \$1,381.98 per pay and that she would send it to payroll for processing to begin on the March 13, 2020 pay. Greene began receiving the additional compensation with the March 13, 2020 payroll. The compensation totaled \$11,055.84 for 2019-2020. There was no written documentation provided for audit that the Board or Superintendent of Schools had approved the additional compensation for 2019-2020.

The Payroll Department inquired via email on June 25, 2020, if the additional compensation for additional responsibilities for Greene would continue. The email was sent to the Executive Assistant of Human Resources and Greene was copied on it. Greene's reply email advised the Payroll Department it would continue. During 2020-2021, Greene received additional compensation of \$30,852.26 that was not approved in a contract approved by the Board.

We are requesting that Greene reimburse the School Corporation \$41,908.10 for overpayments of additional compensation initiated by Greene that were not approved by the Board through a written contract. (See Summary of Charges, page 17)

Criteria

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

Indiana Code 20-26-5-4(a) states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . .

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

- (8) To do the following:
- (A) Employ, contract for, and discharge superintendents, supervisors, principals, teachers, librarians, athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under [IC 20-28-5](#)), business managers, superintendents of buildings and grounds, janitors, engineers, architects, physicians, dentists, nurses, accountants, teacher aides performing noninstructional duties, educational and other professional consultants, data processing and computer service for school purposes, including the making of schedules, the keeping and analyzing of grades and other student data, the keeping and preparing of warrants, payroll, and similar data where approved by the state board of accounts as provided below, and other personnel or services as the governing body considers necessary for school purposes.
 - (B) Fix and pay the salaries and compensation of persons and services described in this subdivision that are consistent with [IC 20-28-9-1.5](#).
 - (C) Classify persons or services described in this subdivision and to adopt a compensation plan with a salary range that is consistent with [IC 20-28-9-1.5](#).
 - (D) Determine the number of the persons or the amount of the services employed or contracted for as provided in this subdivision.
 - (E) Determine the nature and extent of the duties of the persons described in this subdivision. . . .
- (19) To ratify and approve any action taken by a member of the governing body, an officer of the governing body, or an employee of the school corporation after the action is taken, if the action could have been approved in advance, and in connection with the action to pay the expense or compensation permitted under [IC 20-26-1](#) through [IC 20-26-5](#), [IC 20-26-7](#), [IC 20-40-12](#), and [IC 20-48-1](#) or any other law.
- (20) To exercise any other power and make any expenditure in carrying out the governing body's general powers and purposes provided in this chapter or in carrying out the powers delineated in this section which is reasonable from a business or educational standpoint in carrying out school purposes of the school corporation, including the acquisition of property or the employment or contracting for services, even though the power or expenditure is not specifically set out in this chapter. The specific powers set out in this section do not limit the general grant of powers provided in this chapter except where a limitation is set out in [IC 20-26-1](#) through [IC 20-26-5](#), [IC 20-26-7](#), [IC 20-40-12](#), [IC 20-40-18](#) (after December 31, 2018), and [IC 20-48-1](#) by specific language or by reference to other law."

Indiana Code 20-28-8-2 states:

"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 state superintendent.
- (2) The term of the initial contract must be the equivalent of at least two (2) school years.

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) The contract may be altered, modified, or rescinded in favor of a new contract at any time by mutual consent of the governing body of the school corporation and the principal or assistant principal, if the contract, when reduced to writing, is consistent with this chapter."

Indiana Code 20-26-5-4.5(a) states:

"The superintendent is responsible for selecting and discharging principals, central office administrators, business managers, superintendents of building and grounds, janitors, physicians, dentists, nurses, athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under [IC 20-28-5](#)), and any other employees necessary to the operation of the school corporation, subject to the approval of the governing body."

Indiana Code 20-28-8-3 states:

"(a) Before March 1 of the year during which the contract of an assistant superintendent, a principal, or an assistant principal is due to expire, the governing body of the school corporation, or an attorney acting at the direction of the governing body, shall give written notice of renewal or refusal to renew the individual's contract for the school year.

(b) This section does not prevent the modification or termination of a contract by mutual agreement of the assistant superintendent, the principal, or the assistant principal and the governing body."

Indiana Code 20-28-8-6 states in part:

"(a) A contract entered into by a governing body and its superintendent is subject to the following conditions: . . .

- (2) The contract may be altered or rescinded for a new one at any time by mutual consent of the governing body and the superintendent. The consent of both parties must be in writing and must be expressed in a manner consistent with this section and section 7 of this chapter. . . ."

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

INSURANCE COVERAGE

The School Corporation obtained an insurance policy for employee dishonesty through Liberty Mutual Insurance for the term October 1, 2019 to October 1, 2020, and October 1, 2020 to October 1, 2021, in the amount of \$250,000 each year.

SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation was unable to provide proper documentation for the verification of a student as an eligible pupil.

Of the 150 students tested; the following was noted:

1. Proof of age was not provided for 1 of the 10 kindergartners tested.
2. Of the 26 virtual program students tested, 3 were not enrolled in a virtual program and were incorrectly coded as virtual program in the School Corporation's Membership (ME) Reports.
3. During COVID fiscal year 2020-2021, the School Corporation's Virtual Program student records did not agree to the 34 and 36 student counts reported to the Indiana Department of Education for September 2020 and February 2021 Average Daily Membership (ADM) counts, respectively.

The School Corporation's records indicated 27 and 26 Virtual Program students for the September 2020 and February 2021 count dates, respectfully. The School Corporation over reported ADM counts for Virtual Program student counts by 7 and 10 for September 2020 and February 2021, respectively, could not be explained.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

1. The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
2. The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2022, with Alesia Pritchett, Treasurer; Scott Miller, Superintendent of Schools; John Czulno, President of the School Board; Carlotta Blake-King, School Board member; Cindy Murphy, School Board member; Scott Pyle, School Corporation Attorney; Eric Kurtz, Assistant Superintendent for Business Services; and Michele Riise, Assistant Superintendent of Human Resources.



8585 Broadway, Suite 610A, Merrillville, IN 46410 | T: 219.648.2072 | F: 219.525.4980 | www.lewiskappes.com

Monica Conrad
MConrad@lewiskappes.com

October 20, 2022

OFFICIAL RESPONSE

Indiana State Board of Accounts
ATTN: Mr. Tyler Millington, Ms. Karen Tetrault
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765
TMillington@sboafe.IN.gov;
KTetrault@sboafe.IN.gov;
ldavid@sboa.in.gov

Re: School City of Hammond’s Official Response to Indiana State Board of Accounts Audit Results and Comments

Dear Mr. Millington, Ms. Tetrault, or To Whom It May Concern:

As you know, Lewis & Kappes, P.C. represents School City of Hammond (“SCH”). This letter is submitted on behalf of SCH as an official response to the Indiana State Board of Accounts (“SBOA”) Audit Results and Comments regarding SCH for the time period of July 1, 2019 through June 30, 2021.

Response to Reports

On October 11, 2022, SBOA conducted an exit conference with SCH. Scott Pyle from Lewis & Kappes, P.C. participated along with Superintendent Scott E. Miller, Assistant Superintendent of Business Services/CFO Eric Kurtz, Assistant Superintendent of Human Resources Michele A. Riise, Treasurer Alesia Pritchett, and the SCH Board of School Trustees by President John Czulno, Trustee Carlotta Blake-King, and Trustee Cindy Murphy, on behalf of SCH. SBOA officials discussed the Examination results and permitted the SCH participants to read and take notes on a draft of the SBOA’s Financial Statement Findings as well as the SBOA’s Audit Results and Comments. Some of those in attendance, were not, however, permitted to retain a copy of the draft Reports. Therefore, this response is based primarily on the notes taken on behalf of SCH during that meeting and may not accurately reflect the actual Reports. To the extent this Response does not accurately reflect the actual Reports, SCH respectfully requests clarification and an opportunity to respond to those clarifications.

Responses To Financial Statement Findings

In its Financial Statement Findings, the SBOA identified two (2) findings: (1) Finding 2021-001 (Section II-Financial Statement Findings) Subject: Financial Transactions Audit Finding: Material Weakness, Noncompliance; and (2) Finding 2021-002 (Section III-Federal Award Findings and Questioned Costs) Subject: Special Education Cluster (IDEA)-Earmarking Audit Finding: Material Weakness, Other Matters. Each of these two (2) findings will now be responded to separately.

1. Finding 2021-001 Financial Transactions. The SBOA's findings noted several deficiencies in the internal control system of SCH related to payroll transaction. More specifically, the SBOA's findings noted the need for an oversight or review process as well as the need for a process to ensure that all appropriate personnel of SCH had a complete, signed contract prior to employment. Further, the SBOA's findings noted that the Board's meeting minutes had a level of vagueness and did not always reflect the Board's decision or follow-up on prior discussions.

RESPONSE: SCH has provided the SBOA with its Corrective Action Plan in relation to this concern. In particular, beginning in July 2021, SCH commenced sending to the Board support for Payroll Voucher(s) which included payments for Supplemental Pay (covering any extra duties and compensation), Overtime Pay, and Stipends. On August 22, 2022, SCH started sending to the Board, the Payroll Check Register file for review via Board Docs.

Further, 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 the Administrator's Retreat for SCH which was held in August 2022.

Per this plan, 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) contracts 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.

With respect to the issue of the Board's minutes, SCH is looking to strengthen its minutes process to ensure that it reflects the Board's decisions and follows up on prior discussions.

The anticipated completion date for this corrective action by SCH is December 31, 2022.

The contact person within SCH responsible for this corrective action is Michele Riise, Assistant Superintendent of Human Resources.

2. Finding 2021-002 Special Education Cluster (IDEA) – Earmarking. The SBOA’s finding noted that SCH had not established a system of internal controls to ensure compliance with the Federal grant agreement and compliance requirement for Matching, Level of Effort Earmarking compliance for expenditures that were at least an amount that was the same proportion of the total subgrant as the number of non-public school students with disabilities within SCH’s boundaries was to the total of students with disabilities of the same age range. As a result, the SBOA’s findings contains a recommendation that SCH’s management establish controls to ensure compliance. Specifically, the SBOA’s recommendation emphasizes compliance with the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

RESPONSE: SCH has supplied the SBOA with its Corrective Action Plan wherein SCH intends to provide consultations with the non-public school twice a year. Further, SCH will share proportionate share funds with the non-public schools and determine how best to expend those funds for students with service plans. SCH will be monitoring the year-to-date expenses of the non-public schools to ensure the proportionate shares will be totally expended by the end of the grant year. Lastly, SCH, primarily through its Special Education Director, will meet semi-annually with the Business Office of SCH to monitor expenses for possible modifications to ensure monies are fully expended as required for the proportionate share funds for non-public schools.

The anticipated completion date for this corrective action by SCH is September 30, 2023.

The contact person within SCH responsible for this corrective action is Denona Pryor, Special Education Director

Responses to Audit Results and Comments

In its Audit Results and Comments, SBOA identifies the following four (4) areas of results and comments: (1) Internal Controls Over Financial Transactions; (2) Additional Compensation; (3) Insurance Coverage; and (4) Average Daily Membership. Each of these four (4) areas will now be responded to separately.

1. Internal Controls Over Financial Transactions. The first area of the SBOA’s Audit Results and Comments addressed SCH’s internal control systems related to payroll transactions. Similar to Finding 2021-001 addressed above, the SBOA noted deficiencies in the internal control system of SCH related to payroll transactions.

RESPONSE: At all relevant times, SCH had an authorization procedure in place for additional compensation stipends which included completion of specific forms which required an approval signature from an authorized administrator. Stipends were not supposed to be paid if they did not go through this process. However, Superintendent Miller discovered in May 2021 that this process was not being followed with fidelity, particularly with respect to the stipends paid to three administrators, and internal chain of

command was also violated. As was discussed at the Exit Conference, beginning in June 2021, SCH implemented corrective action plans to address these issues. Further, in relation to the discussions with SBOA pertaining to the degree of vagueness in the Board's minutes reviewed for the time period of the audit, SCH and the Board are looking into modifications for the drafting of meeting agendas and meeting minutes so as to ensure that it reflects that, for example, there is a clear indication that official action and Board approval occurred if an item such as a stipend on the Board's agenda is approved at the Board's meeting. Further, it is SCH's position that the Corrective Action Plan addressed in-depth in SCH's response to Finding 2021-001 sets forth a plan that provides SCH with the development of an internal control mechanism to address this issue set forth in the SBOA's Audit Results and Comments.

2. Additional Compensation. The second area of the SBOA's Audit Results and Comments addressed the issue of additional compensation for two principals as well as the Assistant Superintendent of Operations for periods in the 2019-2020 school year as well as 2020-2021 school year. In particular, the SBOA notes that the additional compensation for the principals as well as the Assistant Superintendent required contracts as well as Board approval. With respect to the two principals, as the SBOA's report indicates, the two principals signed contracts for Extracurricular Services on April 20, 2021, and May 5, 2021, for the 2020-2021 school year. The additional compensation for the 2019-2020 school year was not appropriately approved, and, as such, the SBOA recommends for the SCH Board to review the 2019-2020 additional compensation for retroactive approval. With respect to the Assistant Superintendent, the SBOA's report indicates that reimbursement by the SBOA is being sought for the additional compensation.

RESPONSE: As noted above, at all relevant times, SCH had an authorization procedure in place for additional compensation stipends which included completion of specific forms which required an approval signature from an authorized administrator. Stipends were not supposed to be paid if they did not go through this process. However, Superintendent Miller discovered in May 2021 that this process was not being followed with fidelity, particularly with respect to the stipends paid to three administrators, and internal chain of command was also violated. As it was addressed at the Exit Conference, as well as in the corrective action plans from SCH supplied to the SBOA in June 2021 and in SCH's response above, SCH has taken measures to ensure that its internal control procedures are adhered to, and, moreover, the corrective action measures being implemented ensure that the requirements for additional compensation approval meet the elements of the Indiana Code requiring a written contract as well as Board approval through official action of such a contract. With respect to the recommendation of the SBOA that the Board review the 2019-2020 school year increase in salaries for the two principals and have the increase in salaries be subject to retroactive approval by the Board, SCH is in the process of having these items placed on the agenda of a public meeting of the Board for official action by the Board. This retroactive approval will occur after the SBOA's report is made public based upon the confidential designation of the reports and findings provided to SCH at the Exit Conference. Regarding the Assistant Superintendent, there is pending litigation against SCH by the former Assistant Superintendent, and, therefore, SCH has elected to limit its

response due to the potential impact this Official Response may have on those proceedings. Nonetheless, SCH wishes to address this portion of the SBOA's report with that context noted. Specifically, it is SCH's position that aside from the non-compliance with Indiana Code noted by the SBOA's report, the Assistant Superintendent did not comply with SCH's internal control procedures. That is, the stipends for the Assistant Superintendent were not presented to the Board of Trustees for approval, and were, rather, entered into SCH's system under the Assistant Superintendent's direction as noted in the SBOA's report. To the extent that the Assistant Superintendent contends that approval was given by a subordinate, this does not follow internal chain of command. The proper forms should have been completed and presented to the Superintendent for approval and signature, but were not. The manner of "approval" the Assistant Superintendent contends that she received for these stipends was not consistent with SCH's internal control procedures or chain of command. This information was discovered by Superintendent Miller on May 17, 2021. The next day, the Assistant Superintendent submitted her voluntary resignation when Superintendent Miller asked her about the stipends (she was not asked to resign nor was she told that termination proceedings would be initiated). The Board approved her resignation at its regularly scheduled public meeting that evening on May 18, 2021. Further, it was around this time that SCH relayed and referred the issues of additional compensation to the SBOA with a request that the SBOA conduct an independent review of the additional compensation for both the principals as well as the Assistant Superintendent. SCH is committed to continuing to comply with the requirements of the Indiana Code as well as the corrective action plan SCH implemented in June 2021 in response to this issue discovered in May 2021.

3. Insurance Coverage. The third area of the SBOA's Audit Results and Comments addressed and noted that SCH obtained an insurance policy for employee dishonesty through Liberty Mutual Insurance.

RESPONSE: The SBOA has requested that SCH provide the SBOA with language from the policy obtained by SCH. SCH is in the process of supplying that information to the SBOA.

4. Average Daily Membership The fourth and final area of the SBOA's Audit Results and Comments addressed SCH's Average Daily Membership ("ADM") count for students. In particular, the SBOA's results noted that while the total number of students for SCH's ADM count was accurate, the issue was in terms of how those students were categorized as either in-person learning students or students in a virtual-learning program. This resulted in SCH's records not matching the records of the Indiana Department of Education ("IDOE").

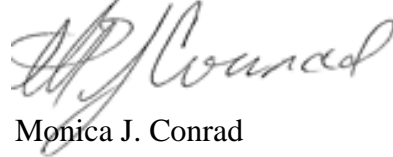
RESPONSE: The total number of students in SCH's ADM counts was accurate. However, it was the categories of placement contained within SCH's ADM counts for which the SBOA found a discrepancy. This was noted by the SBOA for the 2020-2021 "COVID school year" and the issues addressed by the SBOA with the ADM counts were solely on whether a student was in a virtual-learning program or an in-person learning student. As

was discussed at the exit conference, SCH will ensure that the ADM counts and categories for the ADM records are reviewed internally prior to submission to the IDOE so as to ensure accuracy in not only the count but also the applicable categories/classifications for the count.

We thank you for the opportunity to provide this official response pursuant to Ind. Code § 5-11-5-1(b). We hope this response is fairly considered and any pertinent revisions to the Report are made.

Sincerely,

LEWIS & KAPPES, P.C.

A handwritten signature in cursive script, appearing to read "M. Conrad", is written over the typed name.

Monica J. Conrad

cc: Scott Miller, Superintendent for the School City of Hammond
Eric Kurtz, Assistant Superintendent: Business Services and Chief Financial Officer
for the School City of Hammond
Alesia Y. Pritchett, Executive Director, Business Services
for the School City of Hammond

SCHOOL CITY OF HAMMOND
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dr. Dawn Y. Greene, former Assistant Superintendent of Operations: Additional Compensation, pages 5 through 8	<u>\$ 41,908.10</u>	<u>\$ -</u>	<u>\$ 41,908.10</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

(This page intentionally left blank.)

