

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

GARY COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/23/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Comer	07-01-20 to 06-30-23
Emergency Manager	Dr. Paige McNulty	07-01-20 to 06-30-23
Chief Financial Officer	(Vacant) Nicole Wolverton	07-01-20 to 07-26-20 07-27-20 to 06-30-23



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Gary Community School Corporation (School Corporation), for the period of July 1, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 27, 2023, 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, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, 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 2022-001.

Gary Community School Corporation'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

February 27, 2023



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

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

Report on Compliance for Each Major Federal Program

Disclaimed, Qualified, and Unmodified Opinions

We have audited the Gary Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2020 to June 30, 2022. 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.

Qualified Opinion on COVID-19 Education Stabilization Fund

In our opinion, except for the possible effects of the matter described in the *Basis for Disclaimed, Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2020 to June 30, 2022.

Disclaimer of Opinion on Child Nutrition Cluster

Because of the significance of the matters described in the *Basis for Disclaimed, Qualified and Unmodified Opinions* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2020 to June 30, 2022.

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, 2020 to June 30, 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
(Continued)

Basis for Disclaimed, Qualified and Unmodified Opinions

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.

Matters Giving Rise to Qualified Opinion on COVID-19 Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with 84.425 COVID-19 - Education Stabilization Fund, as described in items 2022-009 and 2022-011 for Special Tests and Provisions - Wage Rate Requirements and for 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 that program.

Matter Giving Rise to Disclaimer of Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster, as described in item 2022-002 for Activities Allowed or Unallowed and for Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to that program.

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 items 2022-003, 2022-004, 2022-006, 2022-007, 2022-008, and 2022-010. 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002, 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, and 2022-011, 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, 2020 to June 30, 2022, and the related notes to the financial statement. We issued our report thereon dated February 27, 2023, 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

February 27, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	2021-2022	\$ -	\$ -	\$ -	\$ 749,089
School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555	2021-2022	-	-	-	1,614,361
National School Lunch Program				-	-	-	68,518
SNP Emergency				-	-	-	-
Commodities				-	326,086	-	427,939
Total - National School Lunch Program				-	326,086	-	2,110,818
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	2020-2021	-	1,545,016	-	-
Summer Food Service Program			2021-2022	-	-	-	588,166
COVID-19 - Summer Food Service Program for Children				-	619,578	-	-
Summer Food Service Program	Indiana Department of Education	10.559	2020-2021	-	619,578	-	-
Total - Summer Food Service Program for Children				-	2,164,594	-	588,166
Total - Child Nutrition Cluster				-	2,490,680	-	3,448,073
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558	2021-2022	-	-	-	41,677
COVID-19 - Pandemic EBT Administrative Costs							
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649	2021-2022	-	-	-	5,814
Total - Department of Agriculture				-	2,490,680	-	3,495,564
<u>Department of Defense</u>							
Army Junior Reserve Officers' Training Corps (JROTC)							
JROTC	Direct	12.000	2020-2021	-	56,951	-	-
JROTC			2021-2022	-	-	-	58,966
Total - Department of Defense				-	56,951	-	58,966

GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grant IDEA FY22			H027A180084	-	352,176	-	42,227
Special Education Grant IDEA FY20			H027A190084	-	1,344,295	-	787,370
Special Education Grant IDEA FY21			H027A200084	-	-	-	1,710,102
Special Education Grant IDEA FY22			H027A210084	-	-	-	61,857
Subtotal - Special Education Grants to States				-	1,696,471	-	2,601,556
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grant IDEA FY22			H027X210084	-	-	-	81,313
Total - Special Education Grants to States				-	1,696,471	-	2,682,869
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grant			H173A190104	-	107,706	-	640
Special Education Preschool Grant			H173A200104	-	9,491	-	69,431
Total - Special Education Preschool Grants				-	117,197	-	70,071
Total - Special Education Cluster (IDEA)				-	1,813,668	-	2,752,940
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant			S010A180014	-	1,338,236	-	-
School Improvement Grants			S010A180014 - SIG	-	308,596	-	45,136
Title I Basic Grant			S010A190014	-	6,255,321	-	3,278,933
School Improvement Grants			S010A190014 - SIG	-	244,165	-	144,460
Title I Basic Grant			S010A200014	-	29,625	-	3,190,318
School Improvement Grants			S010A200014 - SIG	-	61,406	-	480,890
Title I Basic Grant			S010A210014	-	-	-	3,276,776
Total - Title I Grants to Local Educational Agencies				-	8,237,349	-	10,416,513
Career and Technical Education-Basic Grants to States	Indiana Department of Education	84.048					
Carl Perkins Career and Technical Education			V048A180014	-	1,663	-	-
Carl Perkins Career and Technical Education			V048A190014	-	1,139	-	14,537
Carl D. Perkins Title V			V048A200014	-	166,160	-	69,218
			V048A210014	-	-	-	177,718
Total - Career and Technical Education-Basic Grants to States				-	168,962	-	261,473

GARY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

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 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney Vento Homeless 19-20			S196A190015	-	12,059	-	8,020
McKinney Vento Homeless 20-21			S196A200015	-	5,120	-	13,540
McKinney Vento Homeless 20-21			S196A210015	-	-	-	27,750
Total - Education for Homeless Children and Youth				-	17,179	-	49,310
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
GEER		84.425C	S425C200018	-	203,265	-	5,276
CARES Act		84.425D	S425D200013	-	3,647,470	-	993,812
ESSER II		84.425D	S425D210013	-	9,774	-	-
ESSER II		84.425D	S425D210013	-	-	-	5,203,665
ESSER III		84.425U	S425U210013	-	-	-	356,835
Total - COVID-19 - Education Stabilization Fund				-	3,860,509	-	6,559,588
COVID-19 - Randolph-Sheppard - Financial Relief and Restoration Payments	Indiana Department of Education						
Financial Relief and Restoration Payments		84.426	S425W210015	-	-	-	3,937
Total - Department of Education				-	14,097,667	-	20,043,761
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program							
Medicaid - MAC	Indiana Family and Social Services Administration	93.778	2020-2021	-	135,237	-	-
Medicaid - MAC			2021-2022	-	-	-	157,681
Medicaid - IEP	Indiana Department of Education		2020-2021	-	38,114	-	-
Medicaid - IEP			2021-2022	-	-	-	78,444
Total - Medical Assistance Program				-	173,351	-	236,125
Total - Medicaid Cluster				-	173,351	-	236,125
Total - Department of Health and Human Services				-	173,351	-	236,125
Total federal awards expended				\$ -	\$ 16,818,649	\$ -	\$ 23,834,416

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

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

Note 1. Summary of Significant Accounting 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, 2021 and 2022. 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 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.

Note 3. Title II and Title IV Funds Reported Under Title I

As allowed by federal regulations, the School Corporation elected to transfer program funds. The School Corporation transferred and expended from its Supporting Effective Instruction State Grants and Student Support and Academic Enrichment Program to its Title I Grants to Local Educational Agencies, as detailed in the following table. All amounts are reflected in the Title I Grants to Local Educational Agencies program in the SEFA.

	Years Ended	
	06-30-21	06-30-22
Supporting Effective Instruction State Grants	\$ 885,765	\$ 1,122,816
Student Support and Academic Enrichment Program	919,185	866,538
Total transferred to Title I, Grants to Local Educational Agencies	\$ 1,804,950	\$ 1,989,354

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

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	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,219,592

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022-001

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 2020-002.

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

Condition and Context

The School Corporation had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

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

1. The National School Lunch Program expenditures were overstated by \$2,175,862 and \$873,605 for fiscal years 2020-2021 and 2021-2022, respectively, due to reporting all the Child Nutrition Cluster expenditures in the National School Lunch Program.
2. The Summer Food Service Program for Children was omitted, which understated expenditures by \$2,164,594 and \$588,166 for 2020-2021 and 2021-2022, respectively.
3. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$1,547,408, in total.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

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

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

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.
- (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 section § 200.414."

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

Cause

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

Effect

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

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 2022-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2020-2021, 2021-2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 2020-003.

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Food Service Management Company

The School Corporation had not designed nor implemented a system of internal controls to ensure that program costs were supported by proper documentation, were allowable, and only for the operation of the food service program.

The School Corporation entered into a cost reimbursement contract, dated July 1, 2020, with a food service management company (FSMC). Two invoices for payment to the FSMC, which totaled \$420,481, were selected for testing. Supporting documentation was presented for only \$347,867 of the costs invoiced. Due to the lack of supporting documentation, we were unable to determine if the remaining costs paid, \$72,614, were allowable expenditures. The costs that were not properly documented were considered questioned costs.

GARY COMMUNITY SCHOOL CORPORATION
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(Continued)

In the supporting documentation presented for audit, sales tax was erroneously paid totaling \$469. These unallowable costs were considered questioned costs.

Payroll

In fiscal year 2021-2022, the School Corporation's Inventory Analyst was assigned an additional role, Food Service Manager, which included additional compensation paid out of the Child Nutrition Cluster grant funds. The Food Service Manager did not maintain documentation of time spent on federal program and non-federal program activities. The total paid to the Food Service Manager from the School Lunch fund without proper documentation was \$28,269. The costs that were not properly documented were considered questioned costs.

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 210.21(f)(1) states in part:

". . . (ii)

(A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

(B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;

(iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .

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

7 CFR 220.7(e) states in part:

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

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

(1)

(i) Maintain a nonprofit school food service;

(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

7 CFR 210.14(a) states in part:

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

7 CFR 225.15(a)(1) states:

"Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

2 CFR 200.403 states in part:

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

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

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

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

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

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

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

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

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

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Effect

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

Questioned Costs

Known questioned costs of \$101,352 were identified as detailed in the *Condition and Context*.

Recommendation

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

Views of Responsible Officials

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

FINDING 2022-003

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

Assistance Listings Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2020-2021, 2021-2022

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

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

Monthly Sponsor Claims for Reimbursement (Claims) were submitted to the Indiana Department of Education (IDOE) based upon meals served for the month. The Claims were prepared by the Food Service Manager or Chief Financial Officer without an oversight or review process in place to prevent, or detect and correct, errors. For three of the six Claims tested, there were differences between the Claims submitted and the School Corporation's summary meal count reports. The three Claims had less meals served than the School Corporation's summary meal count reports, which resulted in underclaimed meals totaling \$9,735.

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 200.302(b) (Uniform Guidance) states in part:

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b) (Revised Uniform Guidance) 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. . . ."

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the 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 2022-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2020-2021, 2021-2022
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-005.

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

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

The School Corporation did not obtain price or rate quotes for all five vendors tested that were less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. The micro-purchase threshold may be increased, but the School Corporation did not provide documentation that the threshold had been increased. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit. Additionally, the School Corporation did not obtain a contract for two vendors as required by Indiana Code for purchases between \$50,000 and \$150,000. As such, the School Corporation did not verify that these vendors were not excluded or disqualified from participation in federal assistance programs or activities.

The School Corporation contracted with a food service management company (FSMC) for the operation of the food service program. The School Corporation did not have policies or procedures to ensure compliance with procurement requirements to verify that the invoices submitted to the School Corporation were those actually paid by the FSMC, or to ensure that the FSMC invoices included credits for any discounts, rebates, or other credits. The School Corporation did not request, nor did the FSMC provide, sufficient documentation to verify that the invoices received by the School Corporation encompassed the same invoices that were paid by the FSMC and that the products charged were received. The School Corporation also did not verify the return of discounts, rebates, or credits from the FSMC. Additionally, the School Corporation did not verify that the FSMC was not suspended nor debarred, or otherwise excluded from or ineligible from participation in federal assistance programs prior to entering into two contracts, which exceeded \$25,000.

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) (Uniform Guidance) 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(a) (Revised Uniform Guidance) states:

"The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must confirm to the procurement standards identified in §§ 200.317 through 200.327."

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

2 CFR 200.318(i) states:

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

2 CFR 200.320(b) (Uniform Guidance) states:

"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."

2 CFR 200.320 (Revised Uniform Guidance) states in part:

"The non-Federal entity must have and use document procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases –*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

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

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agent expects the purchase to be:

(1) at least fifty thousand dollars (\$50,000); and

(2) not more than one hundred fifty thousand dollars (\$150,000). . . .

(d) 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. . . ."

GARY COMMUNITY SCHOOL CORPORATION
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 designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future 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 Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2022-005

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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, S010A210014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

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

Repeat Finding

This is a repeat finding relating to internal control over Reporting from the immediately prior audit report. The prior audit finding number was 2020-012.

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

Level of Effort and Reporting - State Per Pupil Expenditure

The financial information submitted by the School Corporation to the Indiana Department of Education (IDOE) through the Form 9 report was used to calculate the School Corporation's Level of Effort - Maintenance of Effort as well as complete the State Per Pupil Expenditure (SPPE) Report.

There was no oversight or review process at the School Corporation level over payroll expenditures to ensure the data used to complete the Form 9 was reported accurately in the correct fund, account, and object code.

Reporting - Final Expenditure Report

Schools are required to file the final expenditure report with the IDOE at the end of the grant cycle on or before December 30th.

There was no oversight or review process in place to ensure that final expenditure reports submitted to the IDOE were accurate.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

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

Effect

The failure to design or implement a system of internal controls placed the School Corporation at risk of noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking and the Reporting compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2022-006

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

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, S010A210014

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 designed or implemented 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 must report graduation rate data for all public high schools within the School Corporation using the four-year adjusted cohort rate. To remove a student from the cohort, the School Corporation must confirm the reason for removal in writing. Additionally, required documentation for each removal type must be retained by the School Corporation.

The School Corporation did not have effective internal controls to ensure required documentation to support the reason for a student's removal from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained. Of the 10 students tested, the School Corporation provided incorrect supporting documentation to substantiate the removal of three students and were unable to provide documentation to support the removal of two additional students from the graduation cohort.

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

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

20 USC 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 designed or implemented a system of internal controls 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 to go undetected. Noncompliance with the grant agreement and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

FINDING 2022-007

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014,
S010A200014, S010A210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-010.

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 Allowable Costs/Cost Principles compliance requirement.

There were 4 of 53 disbursements charged to the grant fund that were not in compliance with the Allowable Costs/Cost Principles compliance requirement. The 4 issues identified were as follows:

1. The School Corporation paid one employee's salary without supporting documentation or personnel reports, such as time and effort logs to support the time charged to the grant.
2. The School Corporation paid three employees a rate of pay not supported by the School Corporation's records.

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 200.403 states in part:

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

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

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

2 CFR 200.430(i) states in part:

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

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

Cause

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

Effect

The failure to establish an effective system of internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure that documentation will be maintained and made available for audit and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

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

FINDING 2022-008

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, S010A210014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a partial repeat finding from the immediately prior audit report. The prior audit finding numbers was 2020-011.

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.

The October 1, 2019 and 2020 Real Time (RT) data reports, which were used to prepopulate the School Corporation's enrollment and poverty numbers for the 2020-2021 and 2021-2022 applications, were tested for accuracy. Of the 25 students tested over the 2020-2021 and 2021-2022 school years, the School Corporation provided inadequate supporting documentation to substantiate the socioeconomic status of 2 students and was unable to provide any documentation to support the socioeconomic status of 1 student.

The lack of internal controls and the 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."

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance and comply with the 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 2022-009

Subject: COVID-19 - Education Stabilization Fund - Special
Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not designed or implemented at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

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

The School Corporation had not designed nor implemented a system of internal controls to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. Three construction contracts, totaling \$5,836,924, were paid from the COVID-19 - Education Stabilization Fund grant funds during the audit period. For three of three contracts reviewed, the required prevailing wage rate clause was not included in the contract, nor were certified payrolls submitted by the contractors.

The lack of internal controls and failure to maintain and provide adequate supporting documentation were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

- (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

- (ii)

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

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . ."

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

Management had not designed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Effect

The failure to establish an effective system of internal controls and to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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 grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

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

FINDING 2022-010

Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Numbers: 84.425C, 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425C200018, S425D200013,
S425D210013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition and Context

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

The School Corporation paid \$4,173,474 for roof improvements at five locations. These capital improvements were not added to a detailed listing of capital assets that would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number (FAIN)), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and the use and condition of the property. In addition, a physical inventory had not been taken in the past two years. Assets were not properly safeguarded and maintained.

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 200.313(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

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

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

Cause

Management had not established a system of internal controls that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2022-011

Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425C
Federal Award Number and Year (or Other Identifying Number): S425C200018
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 Governor's Emergency Education Relief Fund (GEER I) application was calculated correctly and that supporting documentation was retained for audit.

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

The School Corporation failed to provide 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 and failure to maintain and provide adequate supporting documentation were 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-

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

- (A) using the same measure of low income used to count public school children;
- (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 200.334 states in part:

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

Cause

Management had not established a system of internal controls that would have ensured compliance, or that documentation would have been maintained and made 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 controls 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 a system of internal controls to ensure that documentation 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.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

As of June 2021, a procedure was implemented that included an approval signature sheet of the gross payroll amounts along with supporting payroll documents to be created, reviewed, and signed by the Chief Financial Officer and Emergency Manager. The use of a new financial system, LOW since January of 2020 has also ensured accuracy in payroll withholdings and recordings.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Not corrected

The District will create a policy and procedure to be implemented that will address this finding.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-003

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Partially corrected

A procedure was implemented September 2021, that requires Sodexo to submit all supporting invoices for items purchased and time and labor reports with every monthly billing. These supporting documents are reviewed by the Food Service Manager, Trish Tucker, and then an Accounts Payable Voucher is sent to the Chief Financial Officer to final review and approval. However, the reports that have been currently given by the Food Management Company are not easily reconcilable to the Operating reports and expenses are hard to balance. New reports have been requested for easier reconciliation and compliance.

In regard to the indirect cost, corrective action was taken.

Special test and provision school food account corrective action was taken.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-004

Fiscal year in which the finding initially occurred: FY2020

Status of Audit Finding: In Progress

A procedure was implemented to review cash balances on a monthly basis for Child Nutrition by our Food Service Manager and Chief Financial Officer. In addition, a spend down plan was submitted to the IDOE for how to utilize the surplus of funds that exceeds the three-month average expenditure balance in the current food service account.

Working on implementing a process to monitor balance and spend down.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-005

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Partially corrected

In regard to vendors that exceed the simplified acquisition threshold for procurement, corrective action has been taken.

Small purchases over \$10,000 we will require a policy to be implemented that requires 3 quotes before purchase and supporting documentation to be retained.

Food Service management company needs more adequate reporting to reconcile invoice details, policy and procedure will be implemented. The reports that have been currently given by the Food Management Company are not easily reconcilable to the Operating reports and expenses are hard to balance. New reports have been requested for easier reconciliation and compliance

Suspension and debarment certificate for audit period was unable to be provided for audit years however currently we are in compliance post audit period June 30, 2022.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-006

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

A policy and procedure was implemented September 2021 that ensures proper documentation for allowable activities, cost principles, period of performance, and approvals by separate individuals with the department structure from staff and management.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-007

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

Gary Community School Corporation has taken corrective action to address this prior audit finding.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-008

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

The School Corporation has worked with IDOE as it relates to Maintenance of Effort and the processes regarding how LEAs will maintain and receive approvals. All activities are reviewed and approved by separate individuals.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-009

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

As of March 2020, GCGC put in place location codes to identify Homeless and Parental expenses.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-010

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Partially Corrected

A policy was created to address the need for additional work documents to be created and retained as support to verify the accuracy of Time and Effort logs and semi-annual certifications. The procedure for policy implementation needs further review to ensure such documentation logs and approved rates of pay are accurate.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-011

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Partially Corrected

Policies and procedures were implemented October 2021 (testing department) and March of 2021(nonpublic school data) to accurately collect, report, and document enrollment.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-012

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

A policy and procedure was implemented September of 2021 to ensure accuracy of information with reimbursement requests reports and additional documentation that is reviewed, processed, and approved within the department by several key individuals.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-013

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

Gary Community School Corporation has taken corrective action to address this prior audit finding.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-014

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

As of March 2020, as it relates to the tracking and planned services by private schools, a policy and procedure was implemented that created location codes so all revenue or expenses can be tracked appropriately by specific school locations.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-015

Fiscal year in which the finding initially occurred: FY 2020

Status of Audit Finding: Corrected

A policy was implemented to the training of staff on test security procedures and documentation of training is retained for compliance.



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CORRECTIVE ACTION PLAN

FINDING 2022-001

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to the preparation and reporting of the Schedule of Expenditures Federal Awards (SEFA) a policy and procedure will be created to ensure that all grants as it relates to Federal Programs and Child Nutrition are accurately reported in Gateway. These reports will be prepared by department level staff and reviewed by Department Managers or GCSC Food Service manager and submitted by the Chief Financial Officer upon final review for accuracy and completion. All records in preparing and approving the SEFA will be retained in the Business office.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-002

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

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

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-003

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

As it relates to reporting of meal claims, a policy and procedure will be created and implemented to ensure that accurate meal counts are recorded and entered CNP web by Sodexo based off reports from Skyward recording daily meal counts, documentation and entry then reviewed by the GCSC Food Service Manager for accuracy prior to submission of claims and then reviewed by the CFO for completeness.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-004

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure that all micro-purchases of \$10,000 or less have the appropriate documentation and quotes required by Federal guidelines along with any purchases above the given thresholds based on procurement regulations. Documentation of quotes, bids, or contracts will be maintained by the GCSC Food Service manager and approved by the CFO for accuracy and completeness.

A policy and procedure will be created to ensure that supporting documentation is received from the food service vendor that corresponds to any discounts or rebates received and are reflected appropriately in the billing reports. The GCSC Food Service manager will review documentation for billing accuracy prior to claims being paid and approved by the CFO.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-005

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure that payroll information as it relates to Title I level of effort and reporting and all final IDOE reporting is accurate, coded correctly by fund, and reviewed by the Federal Programs Department, Payroll, with final review by the Chief Financial Officer.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-006

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO

Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure compliance with requirements related to the Special Tests and Provisions- High school graduation rate. Specifically, it will include internal controls for removing students from graduation cohort programs with proper documentation and review.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-007

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO

Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure that all supporting documentation of employee's time and effort logs are reviewed and retained when paying salary from Federal Title I grant allocations, including review and approval of pay rates and fund distributions that are entered by the payroll department, reviewed by Federal Programs, with final review of accuracy and completeness by the Chief Financial Officer.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-008

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created and implemented to ensure that the documentation required to support a student's socioeconomic status is reviewed and retained for Eligibility compliance. This information will be reviewed and entered by the Testing department with a final review by the Federal Programs Administrator.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-009

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

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure that Wage Rate Requirements for any contracts related to ESSER funds are reviewed and retained for compliance. Wage rate reports and certified payrolls will be reviewed and requested from contracted vendors.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-010

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO

Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure that all equipment and real property is recorded in an asset management system for capital improvements. Assets will be entered based on funding source, acquisition date, cost, and federal award number.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.



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CORRECTIVE ACTION PLAN

FINDING 2022-011

Contact Person Responsible for Corrective Action: Nicole Wolverton, CFO

Contact Phone Number: 219-881-5536

Views of Responsible Official:

We concur with the audit finding.

Description of Corrective Action Plan:

A policy and procedure will be created to ensure proper calculation and supporting documentation of equitable services as it relates to the GEER I application for participation of private school children. Documentation will be retained by the Federal Programs Administrator and reviewed by the Chief Financial Officer for accuracy and completeness.

Anticipated Completion Date:

Gary Community School Corporation will implement this procedure by September 2023.

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/>.