

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
GARY COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA  
July 1, 2020 to June 30, 2022



**FILED**  
03/23/2023



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Annual Financial Report .....	4-5
Overdrawn Cash Balances .....	5-6
Average Daily Membership (ADM) - Lack of Records.....	6-7
Capital Assets.....	7
Certification on Internal Control Standards .....	7
Training on Internal Control Standards .....	8
Official Response .....	9
Exit Conference.....	10

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

This report is supplemental to our audit report of the Gary Community School Corporation (School Corporation), for the period from July 1, 2020 to June 30, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

Beth Kelley, CPA, CFE  
Deputy State Examiner

February 27, 2023

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and supplementary information are required to be reported annually on the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation was not in compliance as follows:

*Schedule of Capital Assets*

The School Corporation prepared and submitted the capital asset information into Gateway. However, the detailed capital asset ledger total was \$23,504,564 greater than the amount reported. The School Corporation approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report.

*Schedule of Leases and Debt*

The School Corporation omitted reporting the leases with the Gary Community School Building Corporation, which resulted in the understatement of the annual lease payments by \$3,766,000. The outstanding balance of the Common School Loans were also omitted, which resulted in the understatement of the Ending Principal Balances and Principal Due Within One Year by \$9,063,815 and \$1,069,965, respectively. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report.

*Schedule of Payables and Receivables*

The School Corporation did not prepare and submit the Accounts Payable and Receivable information into Gateway as required. The School Corporation approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report.

*Grant Schedule*

The Grant Schedule entered into Gateway contained the following errors:

1. The Child Nutrition Cluster expenditures were reported as the National School Lunch Program (Assistance Listings Number 10.555) in both fiscal years and were not classified between the various programs within the cluster for which they were expended.
  - a. The National School Lunch Program expenditures were overstated by \$2,175,862 for fiscal year 2020-2021, and by \$873,605 for fiscal year 2021-2022.
  - b. The Summer Food Service Program for Children expenditures were omitted, which understated federal expenditures by \$2,164,594 for 2020-2021, and by \$588,166 for 2021-2022.
2. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$1,547,408.

Adjustments were proposed, accepted by the School Corporation, and made to the Grant Schedule.

GARY COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Report B49001, entitled *FINANCIAL CONCERNS*, and Reports B52730 and B57065, entitled *OVERDRAWN CASH BALANCES*.

*Condition and Context*

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at June 30, 2021 and 2022:

Fund	Amount Overdrawn	
	As of June 30, 2021	2022
Operations	\$ 2,234,913	\$ 4,540,128
GAPS	-	20,925
Secured Schools Safety Grant	-	1,000
Science Technology Engineering A	7,260	7,260
Title I	54,340	21,274
4110 Title I	1,593,855	977,535
Title I, 20-21	1,308,449	554,991
Special Education IDEA 19-21	449,605	327,285
Special Ed Preschool 18-20	65,091	64,451
Beveridge SIG 20-21	85,590	509
McCullough SIG 20-21	67,777	508
Bailly SIG 20-21	2,994	509
Glen Park SIG 20-21	89,335	1,680
Williams SIG 20-21	6,105	2,242
West Side SIG 20-21	61,406	1,210
Student Support Title Iv	92,909	92,909
Perkins CLNA Planning Grant	-	1,663
Carl D. Perkins V	117,658	8,878
Title II, Part A, 20-21	20,719	9,028
Title II-A Bootcamp	316	316

The table above excluded overdrawn grant funds awaiting reimbursement as required by Indiana Department of Education. The primary factor for overdrawn funds was disbursements in excess of receipts.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS**

The same comment also appeared in prior Report B57065.

*Condition and Context*

*Brick and Mortar Students*

We were unable to determine that 4 of the 72 students tested were eligible pupils due to a lack of proof of residence supporting documentation.

*Virtual Students*

We were unable to determine that 16 of the 71 students tested were eligible pupils due to a lack of supporting documentation. Proof of residence could not be verified for 11 of those students, and 5 of those students had no attendance records and could not be considered enrolled or attending.

*Virtual due to Covid*

We were unable to determine that 5 of the 91 students tested were eligible pupils due to a lack of proof of residence supporting documentation.

*Residency Verification Policy*

The School Corporation does not have a formal residency verification policy that was adopted (or readopted) during the audit period.

*Criteria*

Indiana Code 5-15-6-3 states:

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

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

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

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

**CAPITAL ASSETS**

This same comment appeared in two Management Letters addressed to the Emergency Management Team for the audit periods ending June 30, 2018 and 2020.

*Condition and Context*

The School Corporation did not have a capital asset policy that details a threshold at which an item is considered a capital asset. The School Corporation has a listing of capital assets, but without the policy, it could not be determined if the listing was complete. Furthermore, the School Corporation did not complete a physical inventory within the last two years as required.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B57065, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The School Corporation incorrectly certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) received training concerning the internal control standards adopted by the unit. The School Corporation provided certification documentation for those involved in the Administration Office accounting process. However, they failed to provide training for those involved with collecting or handling money at the school building level.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRAINING ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Reports B52730, and B57065, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The School Corporation certified that personnel defined by Indiana Code 5-11-1-27(c) received training concerning the internal control standards adopted by the unit. The School Corporation provided certification documentation for those involved in the Administration Office accounting process. However, they failed to provide training for those involved with collecting or handling money at the school building level.

*Criteria*

Indiana Code 5-11-1-27(c) states:

"As used in this section, 'personnel' means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity."

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."



# Gary Community School Corporation

*Strong. Resilient. Built for Education.*

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

## OFFICIAL RESPONSE

Date: February 28, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: 2020-2022 Audit Results

Gary Community School Corporation is dedicated to making the necessary corrective actions in order to address the audit findings from July 2020- June 2022. We have responded to the findings with new corrective action plans to be implemented by District staff by the end of 2023. The School Corporation has faced many challenges throughout the years and we feel that substantial progress has been made in the District's financial stability and educational standards for the children of Gary, Indiana. As a District, we will continue to enhance our policy and procedures, training, and documentation processes to ensure accuracy and compliance with State Board of Accounts' guidelines. In fall of 2022, the District has created and adopted numerous District wide policies and procedures through NEOLA which will address prior audit findings for future years. With each year our financial stability as a District strengthens as we have achieved and maintained a balanced budget since 2021 and have greatly reduced the number of audit findings since 2020.

Nicole Wolverton  
Chief Financial Officer

GARY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2023, with Dr. Paige McNulty, Emergency Manager; Nicole Wolverton, Chief Financial Officer; Mary Comer, Treasurer; and Shalanda Robinson, Federal Program Coordinator.