

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LAPORTE COMMUNITY SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
03/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia G. Baxter	01-01-12 to 12-31-15
Chief Financial Officer	Rande S. Thorpe M. Gregory Hunt	07-01-12 to 06-30-13 07-01-13 to 06-30-15
Superintendent of Schools	Dr. Glade T. Montgomery Rande S. Thorpe (Interim) Michael Petibone (Interim) Mark D. Francesconi	07-01-12 to 07-17-13 07-18-13 to 04-25-13 04-26-13 to 07-06-14 07-07-14 to 07-01-15
President of the School Board	Mark Kosior Michael Kellems Shannon Hannon	01-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE LAPORTE COMMUNITY SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the LaPorte Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 29, 2015

LAPORTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation has not separated incompatible activities related to receipts and cash and investment balances. The Treasurer records the receipts to the ledger as well as prepares the monthly reconciliements of the financial record balance to the bank balance. Evidence that another person reviews the monthly reconciliements or the receipt transactions was not available. There is no segregation of duties, including no oversight, review, or approval process. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - CASH MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years: FY 2012-13, FY 2013-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the cash management compliance requirement.

The School Corporation did not have a monitoring procedure to limit its food service program net cash resources to an acceptable amount. The School Corporation is required to limit their food service program net cash resources to three months' average expenditures. The net cash balance of the food service program exceeded \$2,100,000 every month of the audit period; however, the three months' average expenditures were only \$853,799 and \$833,727 for 2012-2013 and 2013-2014, respectively.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to

LAPORTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR 210.9(b) states in part: ". . . each school food authority shall . . . (2) limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

FINDING 2014-003 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Agriculture, U.S. Department of Education
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children; Title I Grants to Local Educational Agencies
CFDA Numbers: 10.553, 10.555, 10.559, 84.010
Federal Award Numbers and Years: FY 2012-13 and FY 2013-14; ESEA 2012-2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Suspension and Debarment compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The U.S. Department of Agriculture and U.S. Department of Education required the School Corporation to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center at www.sam.gov was conducted; that certification from the entity was collected, or that a clause or condition was added to the contract.

During the years 2012-2013 and 2013-2014, the School Corporation made food service purchases exceeding \$25,000 from six and seven vendors, respectively. During fiscal year 2012-2013, Title I funds exceeding \$25,000 were disbursed to two vendors. A search of the System of Award Manager Center website resulted in no active exclusions for any of these vendors.

LAPORTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

7 CFR 3016.35 and 34 CFR 80.35 Subawards to debarred and suspended parties states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

FINDING 2014-004 - ALLOWABLE COSTS

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: ESEA 2011-2012, ESEA 2012-2013, ESEA 2013-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The School Corporation did not have a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. None of the semiannual certification activity reports for employees working on a single cost objective for the fiscal year 2012-2013 were available for audit. A test of the 2013-2014 employees paid from Title I funds revealed that 13 of 96 employees, or 14 percent, tested for four pay periods were neither detailed on a semiannual certification activity report nor on a time and effort log.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties.

LAPORTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish policies and procedures to ensure compliance and comply with Allowable Costs requirements of the program.

FINDING 2014-005 - EQUIPMENT MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: ESEA 2011-2012, ESEA 2012-2013, ESEA 2013-14

Pass-Through Entity: Indiana Department of Education

LAPORTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Equipment Management compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The Title I Office purchased technology equipment that was listed on the Information Technology Director's inventory as Title I equipment; however, the Grant Coordinator's Title I equipment inventory failed to detail the same inventory. Procedures have not been established to ensure that the Title I equipment inventory agreed to the Information Technology inventory. In addition, the School Corporation did not perform a periodic physical inventory of equipment.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

34 CFR 80.32(d) states in part:

"Management Requirements. Procedures for managing equipment (including replacement equipment) whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the costs of the property, the location, and condition of the property, and any ultimate disposition data including the date of disposition and sale 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.
- (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 shall be investigated."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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



Mr. Mark D. Francesconi, Superintendent
Dr. Jane Larson, Assistant Superintendent Secondary Education
Mr. Steven R. Manering, Assistant Superintendent Elementary Education
Mr. M. Greg Hunt, Chief Financial Officer

Board of School Trustees

Mrs. Shannon Hannon, President
Mr. Mitch Feikes, Vice President
Mrs. Marie Gilliland, Secretary
Mrs. Rhonda Spence, Member
Mr. Mark Kosior, Member
Mrs. Jan Ribordy, Member
Mrs. Shari Ott-Large, Member

**CORRECTIVE ACTION PLAN
For LaPorte Community School Corporation**

FINDING 2014 – 001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: M. Greg Hunt
Title of Contact Person: Chief Financial Officer
Contact Phone Number: (219) 362-7056


Description of Corrective Action Plan:

Since 2009, the Business Department has had procedures in place for maintaining internal controls to ensure segregation of duties, reviews and approval processes.

The Treasurer balances the monthly bank statements. Our Deputy Treasurer completes the monthly Treasurer's Report. This report must balance with the RDS Month End Reports, the Bank Statements, and the Treasurer's Cash Sheet. The Treasurer's Report is reviewed by the Treasurer, CFO and the School Board of Trustees. In December 2014, SBOA Auditor, Bruce Snyder reviewed the November 2014 Bank Statements. The CFO's initials and date was in place on each Bank Statement at that time.

The textbook, food service, and child care deposits are taken to the bank by each school and/or department. The verification of these deposits is forwarded to the Treasurer for receipting. The back-up for these deposits are necessary for balancing the monthly bank statements by the Treasurer. The majority of money that is received for the corporation is via EFT's.

Effective January 2015, we are implementing signatures from the Treasurer and CFO on the Treasurer's Report to verify the accuracy.



(Signature)

Chief Financial Officer (CFO)
(Title)

January 27, 2015
(Date)



Mr. Mark D. Francesconi, Superintendent
Dr. Jane Larson, Assistant Superintendent Secondary Education
Mr. Steven R. Manering, Assistant Superintendent Elementary Education
Mr. M. Greg Hunt, Chief Financial Officer

Board of School Trustees

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Mrs. Shari Ott-Large, Member

**CORRECTIVE ACTION PLAN
For LaPorte Community School Corporation**

FINDING 2014 – 002 – CASH MANAGEMENT

Contact Person Responsible for Corrective Action: M. Greg Hunt
Title of Contact Person: Chief Financial Officer
Contact Phone Number: (219) 362-7056

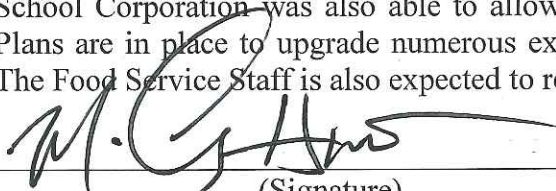
Description of Corrective Action Plan:

The Food Service Department has established procedures for dual controls whereby the secretary and the Food Service Director both review and sign the Monthly Reimbursement Sheet and the Summary Sheet requesting Reimbursement from the State. These balance to the accumulation of daily reports and deposits.

The daily collection of cash and checks at each school is counted and verified by each school's cashier. It must balance to their daily end reports. The money is placed in a locked bank bag and delivered to the Food Service Office by a LaPorte Community School Corporation Bonded employee. The Food Service Secretary recounts and verifies the money from each school and prepares one single deposit that is taken to the bank on a daily basis. The back-up for the deposits is sent to the corporation Treasurer to be receipted into the appropriate revenue classifications. The receipt for each deposit is returned to the Food Service Coordinator where upon she balances the corporation receipts to the bank receipt and deposit slips.

To eliminate excessive money handling, in 2007 the Food Service Department partnered with Meal Time Online. This allows parents to deposit lunch and breakfast money into each of their children's accounts directly. On a weekly basis Meal Time Online makes an ACH deposit into our bank. Each ACH deposit is receipted to the Food Service Fund by the corporation Treasurer, and the receipt forwarded to the Food Service Coordinator.

Because our Food Service Fund Balance exceeded the three month acceptable amount, the Food Service Director applied for and received a waiver from the State. (Copies are attached). The LaPorte Community School Corporation was also able to allow free lunch to "reduced" students. (See attached Board Agenda). Plans are in place to upgrade numerous expensive appliances and equipment in several schools this summer. The Food Service Staff is also expected to receive a 3% salary increase.



(Signature)

Chief Financial Officer (CFO)
(Title)

January 27, 2015
(Date)

1921 'A' Street, LaPorte, IN 46350 Ph. (219) 362-7056 Fax (219) 324-9347

Judy Keim - RE: PLE Requirement

From: "Christina Herzog" <cherzog@doe.in.gov>
To: "Judy Keim" <jkeim@lpesc.k12.in.us>
Date: 5/10/2013 11:07 AM
Subject: RE: PLE Requirement

Hi Judy,

Upon reviewing your 2012 Annual Financial Report, I see that you currently have a fund balance that exceeds the allowed 3 months of operating expenses and also see that you have been \$0.06 certified showing that you are meeting the meal pattern requirements. Therefore you are approved to have an exemption for the Paid Lunch Equity for the 2013-14 school year.

Please keep in mind that this exemption is ONLY for the 2013-14 school year. The paid lunch equity requirement will be re-evaluated each year and the exemption may not be applicable for other school years. If the waiver is available for future years you will need to reapply. Also keep in mind Federal Regulations require schools to have no more than 3 months of operating expense in their non-profit school foodservice account. Since you currently exceed this amount, you must work to reduce this balance in order to be in compliance with the regulations. Continued non-compliance with the regulations can result in corrective action from the state agency.

If you have any other questions, please feel free to contact me.

Thank you,

Tina

Tina Herzog

Claims and Reporting Specialist

Indiana Department of Education

School & Community Nutrition

115 W Washington St

South Tower, Suite 600

file:///C:/Documents and Settings/JKeim/Local Settings/Temp/XPgrpwise/518CD4FC/DomainPO1... 5/10/2013

Judy Keim - Paid Lunch Equity (PLE) Waiver SY 2014-15

From: "Christina Herzog" <cherzog@doe.in.gov>
To: <jkeim@lpesc.k12.in.us>
Date: 5/13/2014 2:29 PM
Subject: Paid Lunch Equity (PLE) Waiver SY 2014-15

Dear Judith Keim,

We have reviewed the request for a waiver of the Paid Lunch Equity (PLE) requirement for SY 2014-15 for LaPorte Community School Corp.. Based on the information provided and further review of your School Nutrition Programs we have granted approval of your waiver. Please remember this waiver is only for the 2014-15 school year and will have to be re-evaluated in future years if the waiver is available.

Keep in mind part of the waiver approval was based on the fact that you have a high balance in your food service account and Federal regulations require you to keep your food service account balance lower than an average 3 months of expenses. We expect this waiver will assist you in utilizing some of the funds in your account in order to bring you in compliance with the Federal regulations. You should also be seeking other opportunities to enhance your program using these excess funds, including but not limited to:

- Increasing fruit and vegetable offerings
- Improving food quality - higher quality meats or main dish items, less processed items, expanded food choices, etc.
- Food service equipment maintenance/replacement
- Encouraging staff participation in the Indiana School Nutrition Association and professional development opportunities
- Hiring additional staff to help meet new meal pattern and Federal requirements

If you have questions about ways to use your food service account funds to improve your program, please contact your IDOE Field Specialist.

Sincerely,

Julie Sutton, Director
School and Community Nutrition Programs
Indiana Department of Education
115 W. Washington ST.
South Tower, Suite 600
Indianapolis, IN 46204
jsutton@doe.in.gov
(317) 232-0845 phone
(317) 232-0855 fax





Mr. Michael Pettibone, Interim Superintendent
Mr. Mark D. Francesconi, Assistant Superintendent
Mr. M. Greg Hunt, Chief Financial Officer

Board of School Trustees
Mr. Michael Kellems, President
Mrs. Shannon Hannon, Vice President
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Mr. Mark Kosior, Member
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BOARD AGENDA ACTION ITEM

(June 9, 2014)

Agenda Action Item: Approval of the Elimination of Reduced Lunches with the Replacement of Free

Background Information/Definition of Problem or Need:

Our operating balance for our food service is higher than the three month operating balance limit which means we had to apply for a waiver to keep our prices the same. This waiver was accepted but one of the conditions is that we have to lower the operating balance. One way in which to do that is to move our "reduced" lunch rate to "free". Throughout our elementary schools we have students on "reduced" lunches. Currently those students are paying a portion of the total amount for lunch. We have many students that are barely missing receiving "free" lunch and there is a burden to pay, which has caused some students to not be able to get a lunch or forced to bring a lunch which is sometimes not nutritional. To help with both situations, the USDA is allowing to eliminate reduced charges to free lunch with the corporation picking up the difference. There has also been quite a bit of talk that reduced prices could be eliminated in the future.

Recommendation:

To approve the elimination of reduced lunch price and replace with the a free charge.

Rationale:

This would allow us to reduce our operating balance for food service, help with those families that are struggling to pay the reduced prices, and to help prepare for the possibility of elimination of reduced charges in the future and the affects that it may have on food service.

Prepared By: M. Gregory Hunt, C.F.O.

1921 "A" Street, LaPorte, IN 46350 Ph. (219) 362-7056 Fax (219) 324-9347

"Learn Today to Excel Tomorrow"

Board of School Trustees

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Mr. M. Greg Hunt, Chief Financial Officer

**CORRECTIVE ACTION PLAN
For LaPorte Community School Corporation**

FINDING 2014 – 003 – SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: M. Greg Hunt
Title of Contact Person: Chief Financial Officer
Contact Phone Number: (219) 362-7056

Description of Corrective Action Plan:

Effective immediately, the LaPorte Community School Corporation has enacted procedures prior to Federal Fund purchases, to verify that any potential vendors that have not been suspended or debarred by completing a search on www.sam.gov. A print screen of the search results will be attached to each potential order and/or bid.



(Signature)

Chief Financial Officer (CFO)
(Title)

January 27, 2015
(Date)



Board of School Trustees

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Dr. Jane Larson, Assistant Superintendent Secondary Education
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Mr. M. Greg Hunt, Chief Financial Officer

**CORRECTIVE ACTION PLAN
For LaPorte Community School Corporation**

FINDING 2014 – 004 – ALLOWABLE COSTS

Contact Person Responsible for Corrective Action: M. Greg Hunt
Title of Contact Person: Chief Financial Officer
Contact Phone Number: (219) 362-7056

Description of Corrective Action Plan:

The 2012-2013 semiannual certification report (100R) did not accurately reflect our employees. Our software company (RDS) had the report pulling data based on hourly wages, contracts, etc. and not based on actual wages earned. RDS corrected their error in 2014 for the 2013 data so it would accurately pull actual data wages earned.

Our Grant Coordinator periodically checks Federal Grant employees to ensure that they are being paid from the proper account lines. On a monthly basis she reviews the grants and the employee's salary lines for accuracy. If she notices any discrepancies between her reports and the payroll reports she meets with our Payroll person to make any changes that are necessary. Beginning with the 2014-215 school year, the Grant Coordinator prints and reviews two different payroll reports every month for all Federal Grants and keeps those with the Semi-Annual Certification Forms. These reports are kept in a grant audit binder along with the certification forms and Time and Effort Logs.


(Signature)

Chief Financial Officer (CFO)
(Title)

January 27, 2015
(Date)



Mr. Mark D. Francesconi, Superintendent
Dr. Jane Larson, Assistant Superintendent Secondary Education
Mr. Steven R. Manering, Assistant Superintendent Elementary Education
Mr. M. Greg Hunt, Chief Financial Officer

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**CORRECTIVE ACTION PLAN
For LaPorte Community School Corporation**

FINDING 2014 – 005 – EQUIPMENT MANAGEMENT


Contact Person Responsible for Corrective Action: M. Greg Hunt
Title of Contact Person: Chief Financial Officer
Contact Phone Number: (219) 362-7056

Description of Corrective Action Plan:

Most Federal Fund purchases of equipment or technology items are handled through our Technology Department and upon receipt, are labeled and logged onto their Inventory Sheet. However, the Crowley Juvenile Services Center is a separate delinquent institution that submits their Title I-D equipment or technology requests to our Grant Coordinator for processing. The orders are received and checked in at the Crowley Juvenile Service Center. Once received, they are responsible for labeling and inventorying their purchases as per Federal Grant Guidelines.

Effective immediately the Grant Coordinator will semi-annually request a detailed inventory list from our Technology Department and the Crowley Juvenile Services Center. The Grant Coordinator will check the inventory list(s) with the purchase orders to ensure new purchases have been included on the updated inventory list.

In 2010, Industrial Appraisal Company conducted an onsite inventory appraisal for all of our properties. Every subsequent year since then, we have sent them a list of newly acquired equipment purchases.



(Signature)
January 27, 2015

(Date)

Chief Financial Officer (CFO)
(Title)

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement included the following funds with overdrawn cash balances at June 30, 2013, due to the continued delay of tax collections from the County Auditor:

Fund	Amount Overdrawn
Debt Service	\$ 3,000,215
Retirement/Severance Bond Debt Service	944,633
School Transportation	1,814,773
Construction 5 Projects	157,154

The schedule does not include funds that are overdrawn because a grant reimbursement will be received in a subsequent period.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

POSTING CONTRACTS ON SCHOOL WEBSITE

As of November 20, 2014, the current Superintendent of Schools' contract and many of the School Corporation Administrator's contracts have not been posted on the School Corporation's website. The School Corporation's website shows the Superintendent of Schools' contract as that of the former Superintendent of Schools who resigned July 7, 2013. He has since been replaced by two interim Superintendent of Schools and the current Superintendent of Schools, who was appointed July 7, 2014.

Indiana Code 20-26-5-4.3(d) states: "A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation's Internet web site."

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

COLLECTIVE BARGAINING AGREEMENT

The School Corporation did not post the collective bargaining agreement on the School Corporation's website. The School Board approved the collective bargaining agreement with the LaPorte Federation of Teachers, Local #714, on August 20, 2013.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The Annual Report for the fiscal year ending June 30, 2014, was not filed electronically on the Gateway reporting website until November 10, 2014.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

CERTIFIED REPORT NOT FILED ACCURATELY

The School Corporation filed its Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts timely, but the compensation shown in the report was not accurate. The compensation amounts included on the 2012 Form 100-R did not agree to the School Corporation's payroll earnings history and were an average of 11 percent lower than the payroll earnings history based on our test. 30 percent of the employees tested on the 2013 Form 100-R did not agree to the payroll earnings history.

Indiana Code 5-11-13-1 states in part:

"(a) Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . .

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

PREPAID FOOD ACCOUNT

The School Corporation accounts for the prepaid food activity within the School Lunch fund. A separate clearing account for the prepaid food account activity has not been established as prescribed.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, Volume 183, Page 3, September 2008)

LAPORTE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2015, with Patricia G. Baxter, Treasurer; M. Gregory Hunt, Chief Financial Officer; Mark D. Francesconi, Superintendent of Schools; and Shannon Hannon, President of the School Board.