

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE RIDGE SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED

08/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Edward R. Sopko	07-01-13 to 06-30-16
Superintendent of Schools	Sharon Johnson-Shirley, Ed. D.	07-01-13 to 06-30-16
President of the School Board	Glenn Johnson	07-01-13 to 06-30-16



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TO: THE OFFICIALS OF THE LAKE RIDGE SCHOOLS, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Lake Ridge Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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

April 28, 2016

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting that constituted material weaknesses.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to receipts, disbursements (vendor disbursements and administrator payroll disbursements), and the Schedule of Expenditures of Federal Awards (SEFA). The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected.

One person was responsible for issuing receipts, preparing the deposits, recording receipts, and depositing receipts without evidence of review or approval. Segregation of duties was not evident, nor was there adequate oversight or approval of receipt transactions and the reports generated based on these transactions.

Accounts Payable Vouchers for vendor disbursements were either prepared at the building level or by the Deputy Treasurer. The Deputy Treasurer processed the vouchers and recorded them in the accounting system. The Treasurer's signature stamp was used to document that the vouchers were reviewed for accuracy, fund number, and allowability. Until January 2015, the Deputy Treasurer had control of the Treasurer's signature stamp; therefore, separation of the preparer and reviewer of the vouchers was not adequate.

Payroll time records for Administrators were not approved. Administrators entered their own time into the payroll software or instructed the Payroll Clerk to enter it for them.

The SEFA was prepared by one individual without oversight, review, or approval.

2. **Preparing Financial Statement:** The School Corporation had not identified risks to the preparation of a reliable financial statement and, as a result, failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

The Financial Activity Reports (reports), which included financial activity of all funds and were the basis for the financial statement, were signed by the Treasurer, Superintendent of Schools, and President of the School Board. Although the reports were signed by the appropriate individuals, there was no review or other control in place to ensure the accuracy of the reports prior to submission.

3. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal controls had not been conducted. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal control over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

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.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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 2015-002 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirement: Cash Management. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months. There was no oversight, review, or monitoring of the cash balances.

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 type of 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. 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.

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 School Corporation maintained School Lunch fund cash balances in excess of the average expenditures for three months during the audit period. The year-end cash balances of the School Lunch fund for the 2013-2014 and 2014-2015 school years were \$540,227 and \$925,743, respectively; however, the average expenditures for three months were \$396,350 and \$408,527, respectively. The School Corporation did not have a written cash management plan approved by both the Indiana Department of Education and the School Board that described the planned use of the excess cash balances in the School Lunch fund. The use of excess cash in the School Lunch fund was brought before the School Board in the subsequent period and was used to complete renovations to kitchen areas.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

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

(1)(iv) Limit its net cash resources to an amount that does not exceed three months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency; . . . "

The failure to establish internal controls enabled noncompliance to go undetected. Failure to comply with the Cash Management requirements of the grant could have resulted in sanctions from the pass-through agency.

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

FINDING 2015-003 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not designed or implemented adequate policies or procedures and an effective internal control system related to the grant agreement and the Eligibility requirements. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Per School Board Policy 8531, the School Board designated the building principal as the individual responsible for determining the eligibility of students for free and reduced price meals; however, it was the Bookkeeper at each school who was solely responsible for performing the eligibility determinations and entering applicant information into the point of sale system. An oversight or review process of the data entered had not been established.

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

LAKE RIDGE SCHOOLS
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.

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."

In a sample of applications, nine of the forty applications tested, or 23 percent, did not have the correct eligibility determination. Seven applicants were determined to be eligible for free meals that should have been determined to be eligible for reduced price meals. Two applicants were determined to be eligible for reduced price meals that should have been determined to be paid status.

At the beginning of each school year, a letter was made available to each parent during registration; however, this letter did not contain an explanation that households with children who are members or currently certified SNAP, FDPIR, or TANF households may submit applications for these children with abbreviated information.

7 CFR 245.6(c)(4) states:

"*Calculating income.* The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in §245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

7 CFR 245.5(a) states in part:

". . . the local educational agency . . . shall publicly announce such criteria . . . at the beginning of the school year or, if notice of approval is given thereafter, within 10 days after the notice is received. The public announcement of such criteria, as a minimum, shall include the following:

(1) . . . a letter or notice and application distributed on or about the beginning of each school year, to parents of all children in attendance at school. The letter or notice shall contain the following: . . .

(iv) An explanation that households with children who are members of currently certified SNAP, FDPIR or TANF households may submit applications for these children with the abbreviated information described in paragraph (2)(ii) of the definition Documentation in §245.2; . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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

FINDING 2015-004 - MATCHING, EARMARKING, AND REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Head Start
CFDA Number: 93.600
Federal Award Years: FY 2013, FY 2014, FY 2015
Pass-Through Entity: Geminus Corporation

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Matching, Earmarking, and Reporting. The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed 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 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 programs. 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.

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."

Matching and Reporting

The School Corporation did not have proper supporting documentation for the in-kind match reported. The grantor agency, Geminus Corporation, hired a licensed real estate appraiser to determine the fair market value of the Lake Ridge Head Start Facilities provided by the School Corporation. The real estate appraiser reported the building space used by the Lake Ridge Head Start School to be 5,247 square feet and estimated the market rent for the interior space to be \$10 per square foot. The appraiser did not give a value to any outdoor space used.

The Lake Ridge Head Start reported the value of their monthly in-kind match for the facilities used by Head Start for the period July 1, 2013 to June 30, 2015; however, they did not use the estimates provided by the licensed real estate appraiser. The School Corporation valued the space at 9,807 square feet or 12,351 square feet at \$12 per square foot. In the 2013-2014 school year, the School Corporation exceeded the 20 percent match; however, after adjusting

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

the in-kind match to include only the estimates from the real estate appraiser, the School Corporation met the 20 percent in-kind match requirement. In the 2014-2015 school year, however, after adjusting the in-kind match reported to include only the estimates for real estate issued by the real estate appraiser, the Lake Ridge Schools Head Start program in-kind match was 18 percent, or \$14,937, less than the required 20 percent local in-kind match.

Earmarking

The Lake Ridge Head Start did not meet the targeted earmarking requirement that 10 percent of the total number of children enrolled be eligible for special education and related services in either school year of our audit period. The Lake Ridge Head Start serviced 122 students and 10 percent, or 12 students, should have been eligible for special education services; however, the Lake Ridge Head Start only had 11 and 8 special need students in the 2013-2014 and 2014-2015 school years, respectively.

45 CFR 92.24(g) states:

"Appraisal of real property. In some cases under paragraphs (d), (e) and (f) of this section, it will be necessary to establish the market value of land or a building or the fair rental rate of land or of space in a building. In these cases, the Federal agency may require the market value or fair rental value be set by an independent appraiser, and that the value or rate be certified by the grantee. This requirement will also be imposed by the grantee on subgrantees."

45 CFR 75.302(b) 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 §§75.341 and 75.342. . . ."

45 CFR 1305.6(c) states:

"At least 10 percent of the total number of enrollment opportunities in each grantee and each delegate agency during an enrollment year must be made available to children with disabilities who meet the definition for children with disabilities in §1305.2(a). An exception to this requirement will be granted only if the responsible HHS official determines, based on such supporting evidence he or she may require, that the grantee made a reasonable effort to comply with this requirement but was unable to do so because there was an insufficient number of children with disabilities in the recruitment area who wished to attend the program and for whom the program was an appropriate placement based on their Individual Education Plans (IEP) or Individualized Family Service Plans (IFSP), with services provided directly by Head Start or Early Head Start in conjunction with other providers."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance and comply with the Matching, Reporting, and Earmarking requirements.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that reports were properly completed. One person was responsible for preparing required reports without an oversight or review process evidenced.

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 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.

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."

For the 2013-2014 and 2014-2015 school years, the annual report was not supported by the School Corporation's records. For the 2013-2014 annual report, reimbursements for the School Supper Reimbursement and Fresh Fruit and Vegetable Program grants were included as other income on the annual report. For the 2014-2015 annual report, the reimbursements for School Supper Reimbursement and Fresh Fruit and Vegetable Program grants were included as federal reimbursements. The reporting for School Supper Reimbursement and Fresh Fruit and Vegetable Program grants was not consistent. For both years, catering was included with income received from adults. Instructions for completing the annual report state that money derived from catering services should be included with other income.

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted 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 Reporting requirements.

FINDING 2015-006 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications. The Food Service Director prepared and submitted the results of the verifications of free and reduced price applications. An oversight or review process had not been established to document the review of the verifications and the report prior to submission.

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 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 programs. 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.

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."

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

The verification process was performed on a predetermined percentage of applications. For the 2013-2014 and 2014-2015 school years, a total of 25 applications were verified by the School Corporation officials, as required. Of the four verified applications tested, two applications resulted in incorrect eligibility determinations and the verification summary portion of one application was incomplete. The incorrect eligibility determinations were due to the usage of net pay instead of gross wages in the calculation of income. Additionally, on one of the items, there was a discrepancy in the number of household members on the application and the verification.

7 CFR 245.6(a)(f)(7) states:

"Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are no longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted 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 Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements of the programs.

FINDING 2015-007 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. 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. 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 School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with Special Tests and Provisions - Paid Lunch Equity compliance requirement. There were no procedures in place to ensure that paid lunch equity was properly calculated, documented, or implemented.

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

LAKE RIDGE SCHOOLS
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.

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 School Corporation did not complete the required Paid Lunch Equity calculations and retain the written calculations for audit for the 2014-2015 school year. It could not be determined if the requirements for Paid Lunch Equity were met for the school year due to the lack of documentation provided for audit. In addition, lunch prices were not approved by the School Board prior to the start of each school year.

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e) . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted 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 Special Tests and Provisions - Paid Lunch Equity requirements of the programs.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-008 - CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment. The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not properly implemented effective controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles. For the first 18 months of the audit period, the Deputy Treasurer prepared accounts payable vouchers, then stamped the Treasurer's signature on the vouchers to document a review process.

Procurement and Suspension and Debarment

Management of the School Corporation had not established an effective internal control system related to the Procurement and Suspension and Debarment compliance requirement. There were no controls in place to ensure that the Food Service Management contract was approved by the School Board and that the food service management company provided a certification letter confirming that the company was not suspended or debarred from doing business with the federal government. An oversight, review, or approval process had not been established.

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 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.

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 could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

FINDING 2015-009 - LEVEL OF EFFORT - MAINTENANCE OF EFFORT

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Special Education -
Grants to States, Improving Teacher Quality State Grants

CFDA Numbers: 84.010, 84.027, 84.367

Federal Award Numbers: 12-4650, 13-4650, 14-4650, 14213-047-PN01, 14214-047-PN01,
4215-047-PN01; 11-4650, 12-4650, 13-4650

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Level of Effort - Maintenance of Effort compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement noted above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation had not designed or implemented effective policies or procedures to ensure compliance with the program requirements of Level of Effort - Maintenance of Effort. An oversight, review, or approval process had not been established to ensure compliance with maintenance of effort amounts reported to the pass-through entity.

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 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.

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 could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Level of Effort - Maintenance of Effort compliance requirement.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINNDING 2015-010 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 12-4650, 13-4650, 14-4650
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

The School Corporation had not designed or implemented effective policies or procedures to ensure compliance with the program requirements for Allowable Costs/Cost Principles. There were no controls in place to ensure accurate personnel activity reports for employees that worked on multiple cost objectives. An oversight, review, or approval process had not been established.

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. 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.

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."

Personnel activity reports maintained by employees working on multiple cost objectives were not reviewed and signed by a supervisor. Time reported on the personnel activity reports did not properly reflect the actual time worked on each grant. Time on the personal activity reports was allocated to the different cost objectives based upon predetermined percentages, not the actual time worked.

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

- (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

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

- (e) An unallowable activity and a direct or indirect cost activity
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted 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 Allowable Costs/Cost Principles requirements of the program.

FINDING 2015-011 - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 12-4650, 13-4650, 14-4650
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Eligibility, Reporting, and Equipment and Real Property Management. The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed

The School Corporation had not designed or implemented effective policies or procedures to ensure compliance with the program requirements for Activities Allowed or Unallowed. There were no controls in place to ensure that program disbursements were properly reviewed and approved as allowable activities. An oversight, review, or approval process had not been established.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Eligibility requirements. There were no controls in place to ensure that the State of Indiana's pre-populated public and poverty enrollment reported on the Eligible Schools Summary page of the Title I application was reflective of the School Corporation's records. An oversight or review process over the reported enrollment had not been established.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Reporting requirements. The School Corporation was responsible for providing information that was used to compile the State's Per Pupil Expenditure report. This information was provided to the State via the financial information in School Form 9. In order to ensure accurate reporting of School Form 9, it was signed by the Treasurer, Superintendent of Schools, and President of the School Board. Although the reports were signed by the appropriate individuals, there was no review or other control in place to ensure the accuracy of the reports prior to submission.

Equipment and Real Property Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Equipment and Real Property Management requirements. The School Corporation had not implemented effective procedures to ensure the accuracy of the Title I equipment inventory. An oversight or review process had not been established.

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 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.

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."

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2015-012 - IMPROVING TEACHER QUALITY STATE GRANTS

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers: 11-4650, 12-4650, 13-4650
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, Level of Effort, and Special Tests and Provisions - Assessment of Need. 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability

The School Corporation had not properly implemented effective controls over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability. For the first 18 months of the audit period, the Deputy Treasurer prepared accounts payable vouchers, then stamped the Treasurer's signature on the vouchers to document a review process.

Level of Effort - Supplement Not Supplant

The School Corporation had not implemented adequate internal controls to ensure compliance with Level of Effort - Supplement Not Supplant requirements. The budgeting process was performed by the Assistant Superintendent with assistance from the Administrative Assistant. The Treasurer received the budget allocation; however, there was no evidence that the budget was reviewed for compliance with the requirements.

Special Tests and Provisions - Assessment of Need

The School Corporation had not implemented adequate internal controls to ensure compliance with the Special Tests and Provisions - Assessment of Need requirements. The program required a Comprehensive Needs Assessment based on the School Improvement and Professional Development plan and the Teacher Evaluation plan. Each school prepared its improvement plan every year; however, there was no evidence to document the separation of duties of the preparation and review of the plans.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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 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.

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 could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

FINDING 2015-013 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Head Start
CFDA Number: 93.600
Federal Award Years: FY 2013, FY 2014, FY 2015
Pass-Through Entity: Geminus Corporation

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Equipment and Real Property Management requirements. There were no controls in place to ensure that equipment purchased with federal program funds was properly recorded in the records. An oversight, review, or approval process had not been established.

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 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 programs. 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.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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 could have enabled material noncompliance to go undetected. The failure to comply with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with the Equipment and Real Property Management requirements of the program.



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CORRECTIVE ACTION PLAN

FINDING 2015-001 Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Edward Sopko, Treasurer

Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was indicated that there were not controls over data entry and monitoring of the transactions that are entered into the financial system. All transactions are subject to security clearance, reviewed by the requestors, entered by the designated business official, and reviewed by the Treasurer and by the Business Manager. Additional cases involve the signature of the Grant Administrator, Superintendent and Board. The district takes exception to this finding, due to the nature that it gives the impression that no controls are in place. There have been several changes that have occurred to assist with the requirement of separation of duties and review. The district takes the position that if an official signs a document; we have taken in good faith that by evidence of the signature indicates that the official has reviewed such document. Additional signatures as proof of review and approval will be performed, including implementation of additional payroll approvals. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:

Immediately



Dr. Sharon Johnson-Shirley
Superintendent



Glenn Johnson
President, Board of Trustees



Laura Hubinger
Business Manager



Edward Sopko
Treasurer

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Kenneth Buckley
Mr. Dan Diehl
Mr. Jonathan Evans
Mr. Glenn Johnson
Mrs. Kimberly Osteen



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CORRECTIVE ACTION PLAN

FINDING 2015-002 Cash Management

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was indicated that there were not controls over the cash balance management not to exceed three months of expenses. The district has been working on monitoring in conjunction with Chartwells administration along with the Superintendent reviewing the expenses and cash balance over the course of the years audited. The district did take action and reinvested into the food service program by way of updating two school cafeteria areas. The district will create a monitoring cash management plan, and will have this approved by the board and will have the board review annually. The plan will contain signatures that will represent preparer, approver, Superintendent and Board of Trustees. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately




Dr. Sharon Johnson-Shirley
Superintendent



Glenn Johnson
President, Board of Trustees



Laura Hubinger
Business Manager



Edward Sopko
Treasurer



Toni Rattray
Director of Food Service, Chartwells

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
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Mrs. Kimberly Osteen



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FINDING 2015-003 Eligibility

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was indicated that in the board policy that the principal determines the eligibility of students that qualify for free/reduced lunch priced meals. The district complies with the regulation set forth by the Indiana Food Nutrition free/reduced lunch price meal income qualifications. The district has moved to an automated process that upon application completion by the parent, the system will auto check the criteria that will qualify the student/child status. The applications are reviewed by clerical, technical staff, assistant food service director and food service director. The Business Manager will verify and sign verification that the criteria for qualifications that are annually provided by the Food Service Administration are properly entered into the automated computer system. The previous process was reviewed; however additional signatures were not present. Additional monitoring controls will be put into place and followed with additional reviews with signatures being provided to ensure that by way of signature that documents are properly read and reviewed. A consideration will be presented to the board to add to the policy to include statements such as "the principal or as determined by the internal control guidelines". This will be approved by the board on or before June 30, 2016. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

[Signature of Dr. Sharon Johnson-Shirley]
Dr. Sharon Johnson-Shirley
Superintendent

[Signature of Glenn Johnson]
Glenn Johnson
President, Board of Trustees

[Signature of Laura Hubinger]
Laura Hubinger
Business Manager

[Signature of Edward Sopko]
Edward Sopko
Treasurer

[Signature of Toni Rattray]
Toni Rattray
Food Service Director, Chartwells

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Kenneth Buckley
Mr. Dan Diehl
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Mrs. Kimberly Osteen



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Jack
FINDING 2015-004 Matching, Earmarking Reporting

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Sandi Sweeney, Director of Head Start-Grant Administrator
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we did not have adequate controls related to the in kind match and adequate reporting of the regulatory 10% of pre-school students with disabilities. The district does match the required 20%, the square foot usage by the Head Start was not properly reflected in the Geminus provided appraisal service, this has been corrected and will be reviewed after each appraisal. The district claimed \$12.00 per square foot and it was recommended that some areas of square footage should only be charged \$11.00 per square foot-this has been corrected. The district does comply with the 10% enrollment of special needs/disabilities student enrollment requirement. During this period of audit, the number of students that enrolled was below the required number, simply stated that the students that were reported are the only ones that enrolled. The Head Start Director will document each year the event that the district would not have special needs students that applied or enrolled. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

Dr. Sharon Johnson-Shirley
Superintendent

Glenn Johnson
President, Board of Trustees

Laura Hubinger
Business Manager

Edward Sopko
Treasurer

Sandi Sweeney
Director of Head Start/Grant Administrator

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Kenneth Buckley
Mr. Dan Diehl
Mr. Jonathan Evans
Mr. Glenn Johnson
Mrs. Kimberly Osteen



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FINDING 2015-005 Reporting

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we had not implemented adequate procedures for oversight of monthly reporting. Reports are being reviewed by the Treasurer and supporting staff. We will now indicate proof by adding additional signatures to food service reports. Additionally, it was indicated that supper reimbursements and fresh produce reimbursements were reported under one option, we do not see that inadequate reporting finding on the previous two years reports as described in the annual financial report. If the auditor's intention was referring to the Form9, a review of such revenues and expenses for each program to ensure that each program available/utilized will be expanded to show the program revenues and expenses in a consistent manner. It should be noted that catering services are not required to be reported on the annual financial report. If the auditor's intention was referring to the Form9, catering will be reported in a more consistent manner going forward. The district will ensure that the SEFA reporting for all related food service nutrition program are identified under the correct CFDA cluster. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date: Immediately

Signature of Sharon Johnson-Shirley
Dr. Sharon Johnson-Shirley
Superintendent

Signature of Glenn Johnson
Glenn Johnson
President, Board of Trustees

Signature of Laura Hubinger
Laura Hubinger
Business Manager

Signature of Edward Sopko
Edward Sopko
Treasurer

Signature of Toni Rattray
Toni Rattray
Director of Food Service, Chartwells

April 28, 2016



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FINDING 2015-006 Verification of Free and Reduced Lunch Applications

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we had not implemented adequate procedures for oversight or segregation of duties, yet the finding did not indicate that those procedures have changed due to the implementation of new software module assisting with review, documentation and approval of free/reduced lunch applications beginning with the 2015/2016 school year. The district will implement administrative guidelines to reflect the procedures to verify free/reduced lunch applications and outline the requirements for annual random verification. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

[Signature of Dr. Sharon Johnson-Shirley]
Dr. Sharon Johnson-Shirley
Superintendent

[Signature of Glenn Johnson]
Glenn Johnson
President, Board of Trustees

[Signature of Laura Hubinger]
Laura Hubinger
Business Manager

[Signature of Edward Sopko]
Edward Sopko
Treasurer

[Signature of Toni Rattray]
Toni Rattray
Director of Food Service, Chartwells

April 28, 2016



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CORRECTIVE ACTION PLAN

FINDING 2015-007 Paid Lunch Equity

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, but agrees with the statement of annual approval of lunch prices. The district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we had not implemented adequate procedures and documentation of calculation of lunch prices. The finding did not indicate that the calculation was incorrect and that lunch prices have not changed for several years. The director of food service will work with the state nutrition division reporting unit as usual and will have the assistant director review and initial for accuracy. The calculation will be reviewed by the treasurer; each year the treasurer will prepare a written recommendation to the board to approve the annual lunch prices for the ensuing school year (which will contain adequate documentation). The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

[Signature of Dr. Sharon Johnson-Shirley]
Dr. Sharon Johnson-Shirley
Superintendent

[Signature of Glenn Johnson]
Glenn Johnson
President, Board of Trustees

[Signature of Laura Hubinger]
Laura Hubinger
Business Manager

[Signature of Edward Sopko]
Edward Sopko
Treasurer

[Signature of Toni Rattray]
Toni Rattray
Director of Food Service, Chartwells

April 28, 2016



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CORRECTIVE ACTION PLAN

FINDING 2015-008 Child Nutrition Cluster

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager / Toni Rattray, Director of Food Service-Chartwells
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding but agrees that one year renewal was not submitted to the board. The district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we did not receive adequate approval from the board of trustees to renew the Chartwells contract that was entered into June 2014. The contract is a 5 year contract and action must be taken by the board to renew annually and upon this annual renewal a letter from the provider (Chartwells) will be submitted indicating that they are in compliant with the Procurement Suspension and Debarment regulations. This was not done for the 2015-16 school year, but has since been corrected as of March 2016; additionally as of March 2016 the 2016-17 school year has been submitted and approved. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately



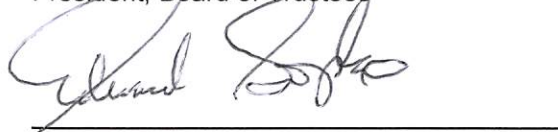
Dr. Sharon Johnson-Shirley
Superintendent



Glenn Johnson
President, Board of Trustees



Laura Hubinger
Business Manager



Edward Sopko
Treasurer



Toni Rattray
Director of Food Service, Chartwells

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Kenneth Buckley
Mr. Dan Diehl
Mr. Jonathan Evans
Mr. Glenn Johnson
Mrs. Kimberly Osteen



6111 West Ridge Road, Gary, IN 46408

CORRECTIVE ACTION PLAN

Phone: 219-838-1819

Fax: 219-989-7802

Web: www.lakeridge.k12.in.us

FINDING 2015-009 Level of Effort - Maintenance of Effort

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Kathy Martin, Title I Director/Janet Flores, Assistant Superintendent-Grant Administration Title II/Northwest Indiana Special Education Service Center/Sandi Sweeney, Grant Administrator-Special Programs-State
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we did not have adequate controls related to the segregation of duties and monitoring the above grant matters. We do have administration that monitor the use of grant funds which is subsequently tracked by administrative clerical staff and approved and reviewed by the designated grant administrators, business office staff and board. Additional reporting tools will be maintained and reviewed by each grant administrator to ensure that proper oversight, reviews and approval are performed. This will be presented to the treasurer on a monthly basis to review that the activities are related to the program. Evidence will be prepared to ensure that each grant administrator has reviewed the grant plan and the expenses and reported are reflected as such. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

Dr. Sharon Johnson-Shirley
Superintendent

Glenn Johnson
President, Board of Trustees

Laura Hubinger
Business Manager

Edward Sopko
Treasurer

Kathy Martin
Title I Director

Janet Flores
Assistant Superintendent/Grant Administrator

Sandi Sweeney
Director of Special Programs

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

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BOARD OF SCHOOL TRUSTEES
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FINDING 2015- 010 Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Kathy Martin, Title I Director

Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.


Description of Corrective Action Plan:

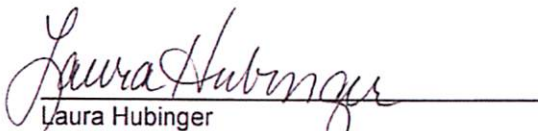
It was stated that we did not have adequate controls related to the allowable costs compliance requirements and monitoring the above grant matters. Although we do have administration that monitors the use of grant funds and subsequently tracked by administrative clerical staff and approved and reviewed by the designated grant administrators, business office staff and board, additional payroll reporting tools will be maintained and reviewed by each level to reflect proper maintenance of effort for employees paid by each indicated grant. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

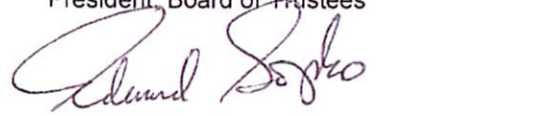
Anticipated Completion Date:


Immediately


Dr. Sharon Johnson-Shirley
Superintendent


Glenn Johnson
President, Board of Trustees


Laura Hubinger
Business Manager


Edward Sopko
Treasurer


Kathy Martin
Title I Director

April 28, 2016

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FINDING 2015-2011 Title I Grants to Local Educational Agencies

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Kathy Martin, Title I Director

Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

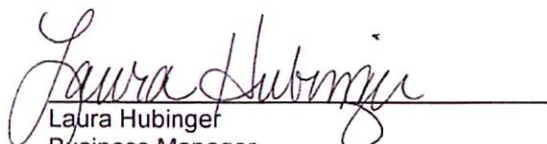
It was stated that we did not have adequate controls related to policies and or oversight, review or approve that activities were allowed per plan. The district follows the federal mandated allowable expenses put forth by the office of Title I funding management. Data is collected as required by the Department of Education and reported accordingly, reports are verified and additional review is done by the DOE. Reports are populated by the collection of several reporting requirements submitted by the district to the DOE. The Director of Title I and the technology data specialist will review the pre-populated enrollment figures reported on Eligible Schools Summary, and evidence of review will be indicated. Additionally, property purchased by Title I, is currently tagged, but will be reviewed by the Director of Title I and submit to the business office to provide to the asset inventory evaluator to include in fixed asset report. Currently the fixed asset report only includes assets that are over \$10,000 per board policy, for Title I and other grants the report will reflect assets purchased under the grant cluster will be included if the asset is \$5,000 and above. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.


Anticipated Completion Date:


Immediately


Dr. Sharon Johnson-Shirley
Superintendent


Glenn Johnson
President, Board of Trustees


Laura Hubinger
Business Manager


Edward Sopko
Treasurer


Kathy Martin
Title I Director

April 28, 2016

SUPERINTENDENT

Sharon Johnson-Shirley, Ed.D.

ASSISTANT SUPERINTENDENT

Janet Flores

Business Manager

Laura Hubinger

BOARD OF SCHOOL TRUSTEES

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Mr. Dan Diehl

Mr. Jonathan Evans

Mr. Glenn Johnson

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FINDING 2015- 012 Improving Teacher Quality State Grants

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Janet Flores, Assistant Superintendent-Grant Administration Title II Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we did not have adequate controls related to policies and or oversight, review or approve that activities were allowed per plan. The district follows the federal mandated allowable expenses put forth by the office of Title II funding management. The grant administrator will review the allowable costs with the plan prior to submission of costs to the business office; additionally the grant administrator will review with the treasurer the plan and any changes to ensure that proper allowable costs are included in the plan. Evidence that this review has been completed will be present. Evidence will be present that the budget is reviewed by signature and/or initials. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date: Immediately

[Signature of Sharon Johnson-Shirley]
Dr. Sharon Johnson-Shirley
Superintendent

[Signature of Glenn Johnson]
Glenn Johnson
President, Board of Trustees

[Signature of Laura Hubinger]
Laura Hubinger
Business Manager

[Signature of Edward Sopko]
Edward Sopko
Treasurer

[Signature of Janet Flores]
Janet Flores
Assistant Superintendent/Grant Administrator

April 28, 2016

SUPERINTENDENT

Sharon Johnson-Shirley, Ed.D.

ASSISTANT SUPERINTENDENT

Janet Flores

Business Manager

Laura Hubinger

BOARD OF SCHOOL TRUSTEES

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Mr. Dan Diehl

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FINDING 2015- 013 Equipment Management

Contact Person Responsible for Corrective Action: Laura Hubinger, Business Manager/Sandi Sweeney, Director of Head Start-Grant Administrator
Contact Phone Number: 219/838-1819

General Statement: Although the district respectfully disagrees with the finding, the district will commit to continued evaluation of internal controls and will be in compliance with the June 30, 2016 mandated regulatory requirements.

Description of Corrective Action Plan:

It was stated that we did not have adequate controls related to policies and or oversight or review of equipment purchased by Head Start Geminus. All purchases of equipment over \$5,000 is tagged per regulatory guidelines, Geminus provides a service to take inventory each year of the assets that are on site and purchased with Head Start Funds. The list will be provided to the Director of Head Start, who will review and initial and provide a copy to the business office. The business office will provide the list of equipment and will include it in the fixed asset inventory of equipment that is \$5,000 or more. The current board policy and fixed asset report has only assets that were \$10,000 or more. This will include all grant/Title purchases that are deemed to be \$5,000 or more. The board has approved a third party to perform reviews of our internal controls to further enhance and strengthen our resolve to meet the upcoming monitoring requirements.

Anticipated Completion Date:
Immediately

[Signature of Sharon Johnson-Shirley]
Dr. Sharon Johnson-Shirley
Superintendent

[Signature of Glenn Johnson]
Glenn Johnson
President, Board of Trustees

[Signature of Laura Hubinger]
Laura Hubinger
Business Manager

[Signature of Edward Sopko]
Edward Sopko
Treasurer

[Signature of Sandi Sweeney]
Sandi Sweeney
Director of Head Start/Grant Administrator

April 28, 2016

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Kenneth Buckley
Mr. Dan Diehl
Mr. Jonathan Evans
Mr. Glenn Johnson
Mrs. Kimberly Osteen

LAKE RIDGE SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM)

The following table shows the difference between the ADM reported and the detail per the School Corporation records for each of the ADM counts:

School Year	Count as Reported on Form Number 30A	Actual Enrollment Figures	Over Reporting/ (Under Reporting) Difference
September, 2013	1,874	1,868	6
February, 2014	1,845	1,850	(5)
September, 2014	1,921	1,925	(4)
February, 2015	1,861	1,855	6

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

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should 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 8)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CURRICULAR MATERIALS RENTAL CHARGES

Curricular materials rental charges for all grades were not adopted by the School Board on an annual basis. Sufficient audit evidence could not be provided to determine if the curricular materials rental fees charged comply with Indiana Code 20-26-12-2. A flat rate was charged for each grade level for both schools years.

During the Audit period, Indiana Code 20-26-12-2 stated in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

LAKE RIDGE SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

SUPERINTENDENT CONTRACT

Part 14 of the Superintendent of School's contract concerning Vehicle Use states:

"The School Corporation shall provide the Superintendent a vehicle allowance of Six Thousand Dollars (\$6,000) in a lump sum payment on or before July 15th of each school year for School Corporation business. Additionally, the School Corporation shall reimburse the Superintendent for gasoline for educational-related travel outside of Lake County, Indiana."

The Superintendent of Schools was paid the School Board approved mileage reimbursement rate instead of being reimbursed for gasoline for educational-related travel.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

POLICY ON PREPAID SCHOOL LUNCH ACCOUNT BALANCES

The School Corporation does not have a formal policy that addresses student lunch account negative or very small balances.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

COLLECTIVE BARGAINING AGREEMENT

The School Corporation failed to post the collective bargaining agreement on the School Corporation's website within 14 days after both parties had ratified the agreement.

Indiana Code 20-29-6-19 states in part: "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."

6111 West Ridge Road, Gary, IN 46408

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Fax: 219-989-7802

Web: www.lakeridge.k12.in.us

April 29, 2016

Indiana State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204

RE: Lake Ridge New Tech Schools Official Response

Dear State Examiner;

The district is responding to the results and comments that were presented during our recent audit review by your field examiners. This response will address and present corrective action plans for the items that were reviewed.

Average Daily Membership: The district submits ADM files to the DOE as required in a timely manner. The electronic file is checked against the STN site, exceptions are corrected and the DOE populates the ADM report. The field representative felt that there was not sufficient evidence of the DOE populated report. The district feels that they were compliant and diligent in the reporting the accurate number of students and trust the DOE function of verifying the students that are claimed per the STN verification site. The district has changed student software management vendors and will be able to produce more reporting options to secure the accuracy of the populated ADM sign off sheet presented by DOE.

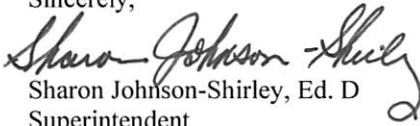

Curricular Materials Rental Charges: The district charges a set rate for each grade level K-12 and has for several years. The curricular division will submit to the board the Curricular Material Rental Charges annually for board approval.

Superintendent Contract: The board has indicated and acted as such that mileage would be paid to the superintendent for miles outside the district. This will be addressed with the board to clarify in the superintendent contract.

Policy on Prepaid School Lunch Account Balances: The district works with NEOLA and this policy will be formally approved no later than June 2016. This policy will describe how to handle student lunch account balances and uncollected balances.

Collective Bargaining Agreement: It was stated that the last agreement was not posted on the school district web site within the 14 days required; the district will take measures of implementation of internal control to verify that the agreements are posted in a timely manner.

Sincerely,


Sharon Johnson-Shirley, Ed. D
Superintendent
Lake Ridge New Tech Schools
Laura Hubinger
Business Manager
Lake Ridge New Tech Schools
Edward Sopko
Treasurer
Lake Ridge Schools

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores**Business Manager**
Laura Hubinger**BOARD OF SCHOOL TRUSTEES**
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl

LAKE RIDGE SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2016, with Edward R. Sopko, Treasurer; Sharon Johnson-Shirley, Ed. D., Superintendent of Schools; Glenn Johnson, President of the School Board and Laura Hubinger, Business Manager.