

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

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

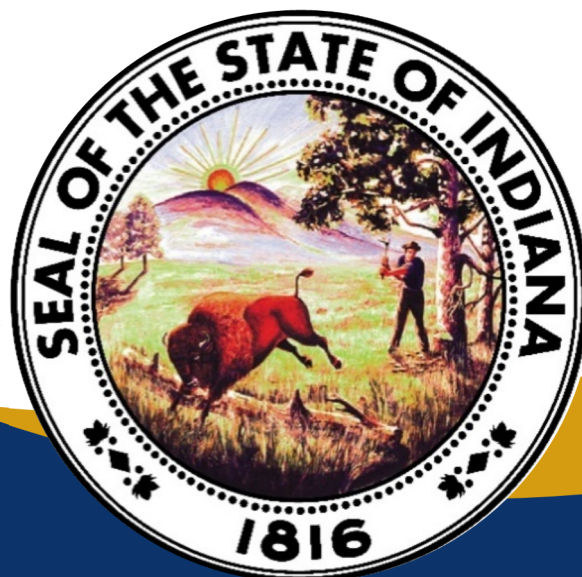
SUPPLEMENTAL COMPLIANCE REPORT

OF

LA PORTE COMMUNITY SCHOOL CORPORATION

LA PORTE COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/03/2025



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jayne L. Grillo	07-01-22 to 06-30-25
Assistant Superintendent of Business and Operations	M. Gregory Hunt	07-01-22 to 06-30-25
Superintendent of Schools	Dr. Mark D. Francesconi (Vacant) Dr. Peggy Hinckley (interim) Dr. Sandra Wood	07-01-22 to 02-12-24 02-13-24 to 02-18-24 02-19-24 to 07-15-24 07-16-24 to 06-30-25
President of the School Board	Shari Ott Jim Arnold Ryan Seaburg	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE LA PORTE COMMUNITY SCHOOL  
CORPORATION, LA PORTE COUNTY, INDIANA

This report is supplemental to the audit report of the La Porte Community School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

Beth Kelley, CPA, CFE  
Deputy State Examiner

February 19, 2025

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Cash and Investments
- Annual Financial Report
- Average Daily Membership - (ADM)

These internal control deficiencies are further detailed in the comments below.

*Criteria*

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

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

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

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

**CASH AND INVESTMENTS**

A similar comment also appeared in prior Reports B58124 and B61098, entitled *FINANCIAL TRANSACTIONS AND REPORTING*; prior Report B52745, entitled *FINDING 2018-001*; prior Report B58153, entitled *FINDING 2020-001*; and prior Report B61086, entitled *FINDING 2022-001*.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to cash and investments. The School Corporation had not been able to reconcile its bank accounts to its funds ledger since the conversion to a new accounting software in April of 2016.

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Bank reconcilements, including a combined reconciliation, were not performed on a timely basis for all bank accounts. Based on a sample of six monthly reconcilements, five were performed between three and nine months after the bank statement date. The School Corporation reconciled the ledger receipts and disbursements to the bank statement activity each month and had not reconciled the cash balances in the financial records of the School Corporation to the bank balances as required. Additional audit procedures were performed to test the June 30, 2023 and 2024 reconcilements provided.

In reviewing the documentation provided, we noted the following items:

- The June 30, 2023 and 2024 adjusted bank balance exceeded the ledger balance by \$316,611 and \$294,333, respectively. The financial statement was not adjusted for these variances.
- The La Porte Multi-Building School Corporation (MBSC) obtained the Ad Valorem Property Tax First Mortgage Bonds, Series 2016 on November 9, 2016, to finance the construction and improvements to the school buildings. Per the bond transcript, \$4,000,000 of the proceeds received by the MBSC was used for purchase of leased property from the School Corporation. The School Corporation received and used the \$4,000,000 for construction and construction related expenses; however, this account was not included in any bank reconciliations.

*Criteria*

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**ANNUAL FINANCIAL REPORT**

Similar comments also appeared in prior Report B58124, entitled *FINANCIAL TRANSACTIONS AND REPORTING*, and prior Report B61098, entitled *FINANCIAL TRANSACTIONS AND REPORTING* and *ANNUAL FINANCIAL REPORT*.

LA PORTE COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation had not established effective internal controls to ensure the accuracy, completeness, and timeliness of the information submitted in the AFR which resulted in the following errors:

*Financial Data*

- Clearing fund activity was included in the financial statement for fiscal years ending June 30, 2023 and 2024; however, the receipts and disbursements for each year included the bank transfers within the fund as receipts and disbursements. As a result, receipts and disbursements for the fiscal year ending June 30, 2023, were overstated by \$23,668,545 and \$24,031,104, respectively. Receipts and disbursements for fiscal year ending June 30, 2024, were overstated by \$41,080,380 and \$41,080,094, respectively.
- The La Porte Multi-Building School Corporation (MBSC) obtained the Ad Valorem Property Tax First Mortgage Bonds, Series 2016 on November 9, 2016, to finance the construction and improvements to the school buildings. Per the bond transcript, \$4,000,000 of the proceeds received by the MBSC was used for purchase of leased property from the School Corporation. The School Corporation received and used the \$4,000,000 for construction and construction related expenses. However, the receipt of the \$4,000,000 from the MBSC and the subsequent disbursements of these monies were not recorded in the records of the School Corporation and were not reported on the AFR. This resulted in the following variances during the audit period:
  - Cash and investments beginning balances were understated by \$4,247,578 and \$114,145, at July 1, 2022, and July 1, 2023, respectively.
  - At June 30, 2023, receipts and disbursements were understated by \$80,468 and \$4,213,901, respectively.
  - At June 30, 2024, receipts and disbursements were understated by \$1,837 and \$115,982, respectively.

The following funds were omitted from the AFR:

Fund Name	Cash and Investments 06-30-23	Receipts	Disbursements	Cash and Investments 06-30-24
ARP 619	\$ (1,469)	\$ 8,920	\$ 7,451	\$ -
Emergency Connectivity	10,350	-	1,099	9,251
Esser III	(135,030)	2,214,408	2,516,313	(436,935)
Esser II	(195,949)	1,016,543	820,594	-

- Of 39 transfers tested, 5 were determined to be bank to bank transfers within the same fund resulting in an overstatement of transfers in and transfers out of \$30,000 and \$3,255,706 for fiscal years ending June 30, 2023 and 2024, respectively.

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

*Grant Schedule*

The Grant Schedule within the AFR included the following errors:

- The Special Education Cluster (IDEA) expenditures were overstated by \$1,015,837 and \$1,264,852 for fiscal years ending June 30, 2023 and 2024, respectively.
- The COVID-19 - Education Stabilization Fund was overstated by \$998,036 for fiscal year ending June 30, 2023.
- Several other grants had individual errors that resulted in total understatements of expenditures of \$156,189 and \$645,882 for fiscal years ending June 30, 2023 and 2024, respectively.

The submitted AFR information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report of the School Corporation. Therefore, these errors were also presented in the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the grant information within the AFR.

*Capital Assets*

For the year ended June 30, 2023 and 2024, the School Corporation reported capital assets and maintained detailed listings but failed to record HVAC improvement projects, totaling \$6,071,986 and \$1,950,163, for fiscal years ending June 30, 2023 and 2024, respectively.

The AFR is the basis for the Schedule Capital Asset presented as Other Information in the Financial Statement Audit Report. Audit adjustments were proposed, accepted by the School Corporation, made to the Schedule of Capital Assets and to the Capital Asset information within the AFR.

*Debt*

The School Corporation included the interest payment and principal in the debt information entered into the AFR, when only the principal payments were to be reported. For the fiscal year ending June 30, 2024, the total ending principal balance was overstated by \$1,472,626, and the amount due in one year was overstated by \$294,950.

The information submitted in the AFR is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the School Corporation. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt and to the debt information within the AFR.

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**AVERAGE DAILY MEMBERSHIP (ADM)**

The same comment also appeared in prior Reports B58124 and B61098.

*Condition and Context*

The School Corporation was unable to provide enrollment documentation for 54 of the 106 students that were selected for testing in the test of Average Daily Membership (ADM).

Additionally, the School Corporation was not following its own adopted Attendance Policy #5200 and Student Records Policy #8330. We noted the following instances of noncompliance related to the policies:

- The School Corporation was unable to provide documentation for proof of residency for 41 of the 106 students tested.
- The School Corporation was unable to provide documentation that 6 students were attending school.

*Criteria*

Indiana Code 5-15-6-3 states:

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

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

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

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

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

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**TICKET SALES - PRESCRIBED FORM SA-4**

*Condition and Context*

The Extracurricular Account (ECA) had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, noncompliance related to Ticket Sales - Prescribed Form SA-4 (SA-4).

For the La Porte High School (High School) ECA, ten athletic games were selected for testing. For all games selected for testing, the prescribed SA-4 was requested for examination. The ECA Treasurer informed us that the SA-4 had not been used by the High School during the audit period, but they had been using the Summary Collection Form - Form SA-8. Due to the High School not utilizing the SA-4 form, the Form SA-8 was used to test the ticket sales for ten games selected. Of the ten athletic games that could be tested, collections recorded did not agree to the ECA receipts for two games. The collections recorded exceeded the ECA receipts by \$2,289 and \$420 for those athletic games.

In addition, the SA-8 was not completed properly for the ten athletic games tested. Two forms were used for each athletic game, one for cash and one for credit, so each form did not include all collections for the athletic game.

*Criteria*

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

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

LA PORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 1)

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extracurricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 2)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold, and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form.

(Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 2)

LA PORTE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2025, with Jayne L. Grillo, Treasurer; M. Gregory Hunt, Assistant Superintendent of Business and Operations; Dr. Sandra Wood, Superintendent of Schools; Amy Jackson, Vice President of the School Board; and Jim Arnold, School Board member.

The comment entitled *Ticket Sales - Prescribed Form SA-4* was discussed in a separate exit on February 19, 2025, with Scott Upp, High School Principal; Terri Swanson, High School Treasurer; Jayne L. Grillo, Treasurer; M. Gregory Hunt, Assistant Superintendent of Business and Operations; Dr. Sandra Wood, Superintendent of Schools; Amy Jackson, Vice President of the School Board; and Jim Arnold, School Board member.