

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKELAND SCHOOL CORPORATION

LAGRANGE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/19/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Annual Financial Report	4-5
Capital Assets	5
Prepaid School Meal Accounts.....	5-6
Average Daily Membership (ADM) – Lack of Records.....	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kirby Doidge (Vacant) Jamesi Lemon	07-01-21 to 01-14-22 01-15-22 to 01-16-22 01-17-22 to 06-30-24
Superintendent of Schools	Greg Baker Traci Blaize (interim) Traci Blaize	07-01-21 to 08-01-22 08-02-22 to 10-02-22 10-03-22 to 06-30-24
President of the School Board	David Larimer Brett Bateman	07-01-21 to 12-31-21 01-01-22 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKELAND SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

This report is supplemental to the audit report of the Lakeland School Corporation (School Corporation), for the period from July 1, 2021 to June 30, 2023. 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/.

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

March 7, 2024

LAKELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

The School Corporation reported three clearing funds in the AFR used to post bank transfer transactions in the School Corporation's ledger. For fiscal year 2021-2022, these clearing funds overstated the cash and investments beginning balance, total receipts, and total disbursements by \$5,854,532, \$29,408,290, and \$21,236,908, respectively. For 2022-2023, these clearing funds overstated total other financing sources and other financing uses each by \$7,953,000. As a result, the cash and investments ending balance at June 30, 2022, and June 30, 2023, were each overstated by \$14,025,914.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to 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.

Grants

- The Child Nutrition Cluster expenditures were understated by \$1,135,059 in 2021-2022 and \$1,011,058 in 2022-2023.
- Two grants had individually immaterial errors that resulted in misstatements of expenditures of \$2,816, in total, in 2021-2022.
- Two grants had individually immaterial errors that resulted in misstatements of expenditures of \$12,643, in total, in 2022-2023.
- Other errors included incorrect Assistance Listings Numbers, program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the School Corporation.

Criteria

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

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

LAKELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

CAPITAL ASSETS

A similar comment also appeared in prior Report B59272, entitled *CAPITAL ASSETS*.

Condition and Context

Through compliance procedures performed, we identified the following errors: five assets, that consisted of two floor scrubbers, a vehicle, a lawn mower, and sign improvements, with a total acquisition value of \$104,370, should have been added to the detailed capital asset listing but were not. The School Corporation utilized a third-party to maintain its capital asset ledger; however, it was not maintained and updated accurately. It was determined that the detailed listing of capital assets was incomplete and immaterially inaccurate at June 30, 2023.

Criteria

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

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Reports B54347 and B59272, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

LAKELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

Prepaid lunch receipts were placed in Fund 8410, Prepaid Lunch fund, a clearing account, and transferred to Fund 800, School Lunch fund monthly when program income was earned. After the monthly program income transfers were completed, the balance of the Prepaid Lunch fund did not reconcile to the detail of student account balances (detail). The Prepaid Lunch fund balance was greater than the detail balance at June 30, 2022, and June 30, 2023, by \$32,219 and \$56,353, respectively.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SBOA opinion is that money a student puts into their individual meal account (prepaid food account) should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in the School Lunch fund. It is required that you set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, you should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not follow its adopted policy for residency verification related to eligible pupils. Of the 62 students tested, the School Corporation was unable to provide proof of residency supporting documentation for 22 students. Therefore, we were unable to determine if those students were properly enrolled.

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."

LAKELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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, 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)

LAKELAND SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2024, with Jamesi Lemon, Treasurer; Traci Blaize, Superintendent of Schools; Brett Bateman, President of the School Board; and Derrick Sherck, School Board member.