

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/07/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Meghan Damron	07-01-21 to 06-30-24
Superintendent of Schools	Nicholas G. Brown	07-01-21 to 06-30-24
President of the School Board	Linda Jonaitis Mark Lucas Judy Dunlap	07-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the Merrillville Community 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

February 21, 2024

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation was unable to provide supporting documentation for the verification of a student as an eligible pupil for 1 of 25 brick and mortar students and 4 of 60 virtual students tested. The School Corporation did not have documentation for proof of residency for 3 virtual and 1 brick and mortar students. The School Corporation did not have documentation for proof of age for 1 virtual student.

The School Corporation's student detailed listing agreed to the Membership Report (DOE-ME) report for the February 2022 and 2023 count dates. However, the student detailed listing and the DOE-ME student counts did not agree with the State Tuition Support Worksheet as detailed below:

<u>Count Dates</u>	<u>Student Detail Listing</u>	<u>Membership Report (DOE-ME)</u>	<u>State Tuition Support Worksheet</u>
February 2022:			
Virtual	172	172	172
Non-Virtual	5,691	5,691	5,689
February 2023:			
Virtual	10	10	18
Non-Virtual	5,732	5,732	5,722

The School Corporation could not provide an explanation for the variances.

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.

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)

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system.

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared and entered the federal award information into Gateway, and the Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the federal grant information submitted included the following errors:

- Several grants had errors that resulted in a total misstatement of expenditures of \$1,306,200.
- Other errors included incorrect program names and identifying numbers.

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 for 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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, Chapter 1)

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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2024, with Meghan Damron, Treasurer; Nicholas G. Brown, Superintendent of Schools; Judy Dunlap, President of the School Board; DeLena Thomas, Secretary of the School Board; Alex Dunlap III, School Board member; and Deborah Van Slyke, Director of Federal Grants.