

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAKE RIDGE SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/14/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christina Akers	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Sharon Johnson-Shirley	07-01-21 to 06-30-24
President of the School Board	Glenn Johnson Kimberly Osteen	07-01-21 to 12-31-21 01-01-22 to 06-30-24



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Lake Ridge Schools (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 7, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002.

Lake Ridge Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 7, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Lake Ridge Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund for the period of July 1, 2021 to June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2021 to June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Child Nutrition Cluster, as described in item 2023-003 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding 84.425 COVID-19 - Education Stabilization Fund, as described in items 2023-007 and 2023-008 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Special Tests and Provisions - Wage Rate Requirements. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008, to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated March 7, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 7, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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LAKE RIDGE SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2021-2022	\$ -	\$ 269,215	\$ -	\$ -
School Breakfast Program			2022-2023	-	-	-	382,625
Total - School Breakfast Program				-	269,215	-	382,625
National School Lunch Program							
School Lunch and Snack Program	Indiana Department of Education	10.555					
National School Lunch Program			2021-2022	-	683,904	-	-
Supply Chain Assistance			2022-2023	-	-	-	928,876
Commodities			2021-2022; 2022-2023	-	132,992	-	134,555
Subtotal - National School Lunch Program				-	816,896	-	1,099,138
COVID-19 - National School Lunch Program							
SNP Emergency Funds	Indiana Department of Education	10.555					
			2021-2022	-	10,254	-	-
Total - National School Lunch Program				-	827,150	-	1,099,138
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			2021-2022	-	365,587	-	-
			2022-2023	-	-	-	1,770
Total - Summer Food Service Program for Children				-	365,587	-	1,770
Fresh Fruit and Vegetable Program							
FFAVP	Indiana Department of Education	10.582					
			2022-2023	-	-	-	21,737
Total Fresh Fruit and Vegetable Program				-	-	-	21,737
Total - Child Nutrition Cluster				-	1,461,952	-	1,505,270
Child and Adult Care Food Program							
PACT	Indiana Department of Education	10.558					
PACT			2021-2022	-	73,832	-	-
			2022-2023	-	-	-	7,953
Total - Child and Adult Care Food Program (CACFP)				-	73,832	-	7,953
Pandemic EBT Administrative Costs							
P-EBT Administrative Costs Grants	Indiana Department of Education	10.649					
P-EBT Administrative Costs Grants			2021-2022	-	3,063	-	-
			2022-2023	-	-	-	3,135
Total - Pandemic EBT Administrative Costs				-	3,063	-	3,135
Total - Department of Agriculture				-	1,538,847	-	1,516,358

LAKE RIDGE SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Federal Communications Commission							
Emergency Connectivity Fund Program	Direct Grant	32.009					
Emergency Connect			2022	-	646,000	-	-
Emergency Connect			2022	-	-	-	44,000
Total - Emergency Connectivity Fund Program				-	646,000	-	44,000
Total - Federal Communications Commission				-	646,000	-	44,000
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2020 Federal Part B 611 Grant			20611-045-PN01	-	3,890	-	-
FY2021 Federal Part B 611 Grant			21611-043-PN01	-	119,138	-	-
FY2022 Federal Part B 611 Grant			22611-043-PN01	-	417,617	-	80,263
FY2023 Federal Part B 611 Grant			23611-043-PN01	-	-	-	338,356
Subtotal - Special Education Grants to States				-	540,645	-	418,619
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X					
FY2022 IDEA ARP			22611-043-ARP	-	39,494	-	52,670
Total - Special Education Grants to States				-	580,139	-	471,289
Special Education Preschool Grants	Indiana Department of Education	84.173					
Pre School FY 2021			21619-43-PN01	-	3,783	-	-
Pre School FY 2022			22619-43-PN01	-	8,964	-	4,046
Pre School FY 2023			23619-43-PN01	-	-	-	9,878
Subtotal - Special Education Preschool Grants				-	12,747	-	13,924
COVID-19 - Special Education Preschool Grants	Indiana Department of Education	84.173X					
FY2022 IDEA ARP 619			22619-043-ARP	-	2,859	-	4,970
Total - Special Education Preschool Grants				-	15,606	-	18,894
Total - Special Education Cluster (IDEA)				-	595,745	-	490,183
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant 21/22			S010A210014	-	-	-	1,131,132
Title I Basic Grant 20/21			SA10A200014	-	1,243,728	-	-
Total - Title I Grants to Local Educational Agencies				-	1,243,728	-	1,131,132
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
Twenty First Century Community Learning Centers			S287C190014	-	81,340	-	-
Twenty First Century Community Learning Centers			S287C200014	-	-	-	175,000
Total - Twenty First Century Community Learning Centers				-	81,340	-	175,000

LAKE RIDGE SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A 19/21			S367A190013	-	182,775	-	-
Title II Part A 19/21			S367A190013	-	-	-	2,242
Title II Part A 21/23			S367A200013	-	-	-	135,267
Total - Supporting Effective Instruction State Grants				-	182,775	-	137,509
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A Student Support and Academic Enrichment			S424A190015	-	137,103	-	-
Title IV Part A Student Support and Academic Enrichment			S424A190015	-	-	-	184
Total - Student Support and Academic Enrichment Program				-	137,103	-	184
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
Governor's Emergency Education Relief Fund (GEERF)		84.425C					
GEERF - Gov's Emer Educ Relief			S425C200018	-	204,600	-	422
Elementary and Secondary School Emergency Relief Fund	Indiana Department of Education	84.425D					
CARES Act Education Stabilization Relief Fund Reallocation			S425D200013	-	-	-	991,412
ESSER II (CRRSA)			S425D200013	-	-	-	3,985,925
Total - COVID-19 - Education Stabilization Fund				-	204,600	-	4,977,759
Total - Department of Education				-	2,445,291	-	6,911,767
Department of Health and Human Services							
Head Start Cluster							
Head Start	Geminus Corporation	93.600					
Project Head Start			FY2021 PY	-	586,043	-	-
Project Head Start			FY2022 PY	-	13,209	-	-
Project Head Start			FY2023 PY	-	170,076	-	-
Project Head Start			FY2023 PY	-	-	-	523,492
Project Head Start			FY2024 PY	-	-	-	173,200
Total - Head Start				-	769,328	-	696,692
Total - Head Start Cluster				-	769,328	-	696,692
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Federal Medicaid			2022	-	37,522	-	-
Federal Medicaid			2022	-	-	-	19,177
Total - Medicaid Cluster				-	37,522	-	19,177
Total - Department of Health and Human Services				-	806,850	-	715,869
Total federal awards expended				\$ -	\$ 5,436,988	\$ -	\$ 9,187,994

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

LAKE RIDGE SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2022 and 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Northwest Indiana Special Education Cooperative

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). As a result, the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.425	COVID-19 - Education Stabilization Fund	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not designed or implemented a system of internal control, which would include an appropriate segregation of duties related to receipts.

One employee issued receipts, posted receipts to the ledger, prepared deposits, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process in place to prevent, or detect and correct, errors related to receipts.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls over financial transactions.

Effect

The failure to properly establish a system of internal controls over receipts could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

Condition and Context

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) were not effective.

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Corporation Treasurer prepared and entered the federal award information into Gateway, and the Chief Financial Officer 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 SEFA presented for audit contained the following errors:

1. The Title I Grants to Local Educational Agencies expenditures were overstated by \$709,261 as of June 30, 2022.
2. Several other grants had individual immaterial errors that resulted in misstatements of expenditures of \$97,777, in total, as of June 30, 2022 and \$235,829, in total, as of June 30, 2023.
3. Other errors included incorrect program names and federal Assistance Listings Numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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:

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

Cause

Management of the School Corporation had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program
Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582
Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation entered into a cost reimbursement contract with a food service management company (FSMC). The FSMC incurred costs on behalf of the School Corporation and invoiced the School Corporation for reimbursement of those costs.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not designed or implemented a system of internal controls to ensure that program costs incurred by the FSMC were supported by proper documentation and were allowable prior to payment.

Due to the lack of internal controls, the following errors were noted:

In a test of 44 transactions, 22 transactions (50%) totaling \$6,641 did not have proper documentation to support that the expenses were for the benefit of the food service program and in conformance with the cost principles.

1. Of the 5 transactions totaling \$764, were for food and supply purchases paid for by the FSMC and then invoiced to the School Corporation for reimbursement. The vendor invoices supporting these purchases could not be provided for audit.
2. Of the 15 transactions totaling \$5,532, were for FSMC employee payroll, fringe benefits, stipends, and other miscellaneous expenses. Proper supporting documentation could not be provided for audit for these transactions.
3. Of the 2 transactions, were determined to be unallowable expenses, as noted below:
 - a. An Amazon purchase of \$27 was for decorations that were shipped to a home residence. The FSMC stated the decorations were for a ceremony for the opening of the School Corporation's weight room.
 - b. The FSMC purchased Visa gift cards totaling \$318 that were gifted to FSMC staff.

The items noted above were all considered questioned costs.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.21(f)(1) states in part:

". . . (ii)

- (A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in manner suitable for contract cost determination and verification.
- (iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .
- (vi) The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

7 CFR 225.15(a)(1) states: "Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.445(a) states: "Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

2 CFR 200.467 states: "Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under § 200.421) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award."

Cause

A proper system of internal controls was not implemented by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, required supporting documentation could be provided to verify costs paid to the FSMC were allowable and in conformance with the cost principles. In addition, unallowable costs were paid.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$6,641 were identified as explained in the *Condition and Context*.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure all costs are adequately documented and for the benefit of the food service program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-004

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program

Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582

Federal Award Numbers and Years (or Other Identifying Numbers): 2021-2022, 2022-2023

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition and Context

The School Corporation 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 the monthly sponsor claims for reimbursement.

School Food Authority's (SFA) and sponsors must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim.

The Food Service Director prepared the monthly claim for reimbursement on the Indiana Department of Education Child Nutrition Program website based on meal count reports from the point-of-sale system. The School Corporation had not designed or implement a system of internal control to ensure what was claimed for reimbursement agreed to the point-of-sale system meal count reports.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

A proper system of internal controls was not implemented by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-005

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listings Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A210014, SA10A200014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation 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 the enrollment and poverty data as reported by the Indiana Department of Education (IDOE) and the School Corporation in the Title I application.

Public School (Local Educational Agency)

Eligibility for Title I is determined on the Eligible School Summary of the Title I application. Enrollment and Poverty numbers for the public school district are automatically pulled from the IDOE's Official Pupil Enrollment (PE) count for each school into the Eligible School Summary page of the Title I application. These counts are based upon the School Corporation's records as of October of the prior fiscal year. The School Corporation had not established a process of review of the Eligibility Summary in the Title I application for the student enrollment and poverty counts. There was no documentation of the School Corporation verifying the enrollment and poverty counts in the Title I application.

Nonpublic Schools

Enrollment and poverty numbers for any non-public schools are manually entered into the application by the School Corporation. The School Corporation established a process to receive and review the listing of students from the nonpublic schools for enrollment and poverty counts to be entered into the Title I application. However, the internal controls were ineffective as the School Corporation requested to receive a listing of poverty student counts only; the list of enrolled students was not provided by the nonpublic schools. Therefore, we were unable to determine if the enrolled student count in the application was accurate.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.78(a)(1) states:

"After reserving funds, as applicable, under § 200.77, including funds for equitable services for private school students, their teachers, and their families, an LEA must allocate funds under this subpart to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of public school children from low-income families in each area or school."

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, documentation was not available to determine if the enrolled and poverty counts for the public and non-public data in the Title I application was accurate.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure documentation is retained to support information in the Title I application.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-006

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listings Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A210014, SA10A200014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-003.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation 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 to ensure required documentation supporting the removal of a student from the high school graduation cohort for mobility reasons was prepared, reviewed, and retained.

When a student is listed on the cohort report as having exited the cohort, the school should have documentation supporting the removal of those students. One individual was responsible for collecting and reviewing the documentation and then removing the student from the graduation cohort. There was no evidence of a second review by a knowledgeable individual to ensure all students removed from the cohort had the appropriate documentation.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material non-compliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-007

Subject: COVID-19 - Education Stabilization Fund - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425D

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation 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 to ensure adjustments for payroll were allowed and in conformance with the cost principles.

Adjustments were made to payroll disbursement activity between Education Stabilization Fund (ESF) funds. Support for these adjustments was traced to the School Corporation's records to verify the gross payroll activity was properly moved. One adjustment, totaling \$27,824, could not be verified. The supporting documentation for this adjustment exceeded the amount of the transaction. Inquiry with School Corporation officials and review of the documentation determined that the amount transferred was based on the remaining grant budget amounts instead of actual payroll disbursements. The \$27,824 is considered questioned costs.

The ineffective internal controls and noncompliance was limited to the item noted above for the S425D200013 grant award.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . .
- (g) Be adequately documented. . . ."

2 CFR 200.400 states in part:

"The application of these cost principles is based on the fundamental premises that: . . .

- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, a transfer adjustment was made from one Education Stabilization Fund to another without underlying supporting documentation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$27,824 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure costs are included in the approved budget, are only requested once, and are not retained if received in error.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-008

Subject: COVID-19 - Education Stabilization Fund - Special
Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425D
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation 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 to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause and that certified payrolls were obtained.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

One construction contract, totaling \$4,000,000 was paid from the COVID-19 - Education Stabilization Fund grant funds during the audit period. The one construction contract was selected for testing. Upon review of the construction contract, it was determined the required prevailing wage rate clause was not properly included.

Additionally, certified payrolls were not obtained until after the School Corporation was issued an ESSER Construction Monitoring Report in late 2023. The School Corporation only obtained a "sample" of certified payrolls and did not obtain all of the certified payrolls for the work performed within the grant period.

The lack of internal controls and noncompliance was isolated to the contract noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

29 FR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

(3) *Payrolls and basic records.* . . .

(ii)

(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, construction contracts entered into did not contain the required wage rate requirements clauses nor were certified payrolls timely obtained by the School Corporation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

6111 West Ridge Road, Gary, IN 46408

Phone: 219-838-1819

Fax: 219-989-7802

Web: www.lakeridge.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

FINDING 2019-002 and 2021-001

Fiscal year in which the finding initially occurred: 2019

Current Audit Period: 2023

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness

Condition & Context: The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. The SEFA was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors that resulted in the gross overstatement of federal awards expended by \$669,848 and the gross understatement of federal awards expended by \$670,770. These errors resulted in the net understatement of the total federal awards expended on the SEFA by \$922 for the period July 1, 2019 through June 30, 2021:

1. The Child Nutrition Cluster expenditures were understated by \$663,025. The School Corporation had incorrectly recorded this amount under the Child and Adult Care Food Program.
2. The Child and Adult Care Food Program expenditures were overstated by \$663,025.
3. The Special Education Cluster expenditures were overstated by \$1,138.
4. The Head Start program expenditures were overstated by \$5,685.
5. The Medicaid Cluster expenditures were understated by \$7,745.

Status of Audit Finding: Not Corrected

Response Comments: The planned corrective action was implemented in that both the Business Manager and Treasurer now review the SEFA prior to submission. Unfortunately, the deficiency recurred in the current audit period. An understaffed Business Office led to a cursory review of the SEFA by both the Treasurer and Business Manager, which permitted the errors to go undetected. In future periods, the SEFA will undergo a third level of review with the Deputy Treasurer being added to the review process. Additionally, the draft SEFA will be completed at least 10 business days before it is due to permit a longer review period.

SUPERINTENDENT

Sharon Johnson-Shirley, Ed.D.

ASSISTANT SUPERINTENDENT

Cynthia Mose-Trevino

Business Manager

Adrian Wilkerson

BOARD OF SCHOOL TRUSTEES

Mr. Kenneth Buckley

Mr. Dan Diehl

Mrs. Louise Neese

Mrs. Kimberly Osteen, President

Mr. Samuel Roberts

FINDING 2019-003 and 2021-002

Fiscal year in which the finding initially occurred: 2019
Current Audit Period: 2023

Subject: Title I Grants to Local Educational Agencies - Internal Controls
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
Assistance Listing Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting
Audit Finding: Material Weakness

Condition & Context: An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirements. The Title I Director and all Federal Grant Directors now submit the Annual Expenditure Report for review by the Treasurer to ensure accuracy and compliance prior to submission.

Status of Audit Finding: Fully Corrected and the original corrective action was implemented.

FINDING 2019-004 and 2021-003

Fiscal year in which the finding occurred: 2019

Current Audit Period: 2023

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

Assistance Listing Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A180014, S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Audit Finding: Significant Deficiency

Condition & Context: An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. It was necessary that for the students removed from the High School cohort graduation rate for mobility reasons there was written documentation that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased. As corrective action, the District Data Specialist reviews with the building registrars the proper documentation that must be kept on hand. Regularly scheduled training continues to emphasize the need for proper documentation procedures to meet the internal control requirement.

Status of Audit Finding: Partially Corrected

Response Comments: While a review and regular training system has been implemented and has addressed the compliance requirement, the Internal Controls finding has not been sufficiently addressed. As further Corrective Action, the District will require that all enrollments and withdrawals be accompanied by appropriate documentation. The building registrars will then completely review all enrollment and withdrawal documentation for completeness. The review of registrars will be subject to periodic review by the District Data Specialist.

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CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

June 30, 2023

FINDING 2023-001

Subject: Financial Transactions

Audit Findings: Material Weakness

Contact Persons Responsible for Corrective Action: Adrian Wilkerson, Chief Financial Officer
Chris Akers, Treasurer
Jessica Gibbs, Deputy Treasurer

Contact Phone Number and Email Address: (219) 838-1819

awilkerson@lakeridgeschools.net

cakers@lakeridgeschools.net

jgibbs@lakeridgeschools.net

Condition:

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not designed or implemented proper segregation of duties related to receipts.

Context: One employee issued receipts, posted receipts to the ledger, prepared deposits, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: As of January 1, 2024, the Deputy Treasurer will issue receipts and post them to the ledger, the Treasurer will prepare the deposits and take them to the bank, and the Chief Financial Officer will review and approve both ledger entries and bank deposit slips, ensuring that they match.

Anticipated Completion Date: The Corrective Action has already been implemented.

SUPERINTENDENT

Sharon Johnson-Shirley, Ed.D.

ASSISTANT SUPERINTENDENT

Cynthia Mose-Trevino

Business Manager

Adrian Wilkerson

BOARD OF SCHOOL TRUSTEES

Mr. Kenneth Buckley

Mr. Dan Diehl

Mrs. Louise Neese

Mrs. Kimberly Osteen, President

Mr. Samuel Roberts

FINDING 2023-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Contact Persons Responsible for Corrective Action: Adrian Wilkerson, Chief Financial Officer
Chris Akers, Treasurer
Jessica Gibbs, Deputy Treasurer

Contact Phone Number and Email Address: (219) 838-1819

awilkerson@lakeridgeschools.net

cakers@lakeridgeschools.net

jgibbs@lakeridgeschools.net

Condition:

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed their reports as prescribed; however, the internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA) were not effective.

Context: The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Corporation Treasurer prepared and entered the federal award information into Gateway, and the Chief Financial Officer 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 SEFA presented for audit contained the following errors:

1. The Title I Grants to Local Educational Agencies expenditures were overstated by \$709,261 as of June 30, 2022.
2. Several other grants had individual immaterial errors that resulted in combined errors of \$97,777 and \$235,829 as of June 30, 2022, and 2023, respectively.
3. Other errors included incorrect program names and federal assistance listing numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: In future periods, the SEFA will undergo a third level of review with the Deputy Treasurer being added to the review process. Additionally, the draft SEFA will be completed at least 10 business days before it is due to permit a longer review period. A spreadsheet report will be prepared on all grants received in order to make sure the federal funds are correctly tracked to the appropriate program. This spreadsheet will be used to compare with the report from our accounting system to make sure all grants are listed. The Treasurer will complete the report and the Chief Financial Officer will review it. The Deputy Treasurer, Treasurer, and Chief Financial Officer will all complete a final accuracy review of the SEFA prior to submission.

Anticipated Completion Date: The Corrective Action will be implemented immediately and completed upon the filing of the next SEFA.

FINDING 2023-003

Information on the federal program:

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program
Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582
Federal Award Number and Year (or Other Identifying Numbers): FY2021-2022, FY2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Adrian Wilkerson, Chief Financial Officer

Contact Phone Number and Email Address: (219) 838-1819
awilkerson@lakeridgeschools.net

Condition: An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles.

Context: The School Corporation had not designed or implemented a system of internal control to ensure that program costs incurred by the Food Service Management Company were supported by proper documentation and were allowable.

The School Corporation entered into a cost reimbursement contract with a food service management company (FSMC). The FSMC incurred costs and invoiced the School Corporation for reimbursement of the costs. Due to the lack of effective internal controls, the following errors were noted:

In a test of 44 items, 22 items (50%) totaling \$6,641 did not have proper documentation to support that the expenses were allowable and for the benefit of food service.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: In addition to the monthly review of the FSMC invoice and budget, the Chief Financial Officer will review and approve the supporting documentation (invoices, payroll records) provided by the FSMC to ensure that expenses are allowable and for the benefit of food service.

Anticipated Completion Date: Immediate

FINDING 2023-004

Information on the federal program:

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, Fresh Fruit and Vegetable Program
Assistance Listings Numbers: 10.553, 10.555, 10.559, 10.582
Federal Award Number and Year (or Other Identifying Numbers): FY2021-2022, FY2022-2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Contact Person Responsible for Corrective Action: Chris Akers, Treasurer

Contact Phone Number and Email Address: (219) 838-1819
cakers@lakeridgeschools.net

Condition: The School Corporation had not properly designed or implemented a system of internal control, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting noncompliance related to the monthly sponsor claim for reimbursement.

Context: School Food Authority's (SFA) and sponsors must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim.

The Food Service Management Company employed Food Service Director prepared the monthly claim for reimbursement on the Indiana Department of Education Child Nutrition Program website based on meal count reports from the point-of-sale system. The School Corporation did not implement a system of internal control to ensure what was claimed for reimbursement agreed to the point-of-sale system meal count reports.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Before the monthly claim for reimbursement is submitted by the FSMC, the Treasurer will reconcile the claim with the meal count report generated by the point-of-sale system.

Anticipated Completion Date: Immediate

FINDING 2023-005

Information on the federal program:

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years or Other Identifying Numbers: S010A210014, SA10A20014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: Regin Johnson, Title I Director

Contact Phone Number and Email Address: (219) 838-1819
rjohnson@lakeridgeschools.net

Condition: This finding addresses two issues. First, an effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement. Second, The School Corporation has established a process of receiving and reviewing the listing of students from the Private Schools in order to be entered into the Title I application. However, the internal controls were determined not effective since the School Corporation only requested to receive eligible students listing and not enrolled students.

Context: The School Corporation has not established a process of review of the Eligibility Summary in the Title I application for the student enrollment and poverty. Real time report October 1 count is used for the eligibility summary in the Title I application. Additionally, the examiner could not determine if the enrolled private school number was correct because the School Corporation did not request the information.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Title I Director will review and sign off on the Real Time October 1 report to ensure that the student enrollment and poverty numbers reconcile with what is submitted in the Eligibility Summary. Additionally, the Title I Director will solicit both eligible and total enrollment figures from private schools that wish to participate in Title I.

Anticipated Completion Date: The Corrective Action will be implemented immediately and completed upon the filing of the next Real Time report and Eligibility Summary.

FINDING 2023-006

Information on the federal program:

Subject: Title I Grants to Local educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): S010A210014, SA10A20014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Finding: Material Weakness

Contact Persons Responsible for Corrective Action: Regin Johnson, Title I Director
Chris Bajmakovich, Principal Calumet HS

Contact Phone Number and Email Address: (219) 838-1819
rjohnson@lakeridgeschools.net
cbajmakovich@lakeridgeschools.net

Condition: An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Annual Report Card, High School Graduation compliance requirement.

Context: One individual was involved in collecting the High School student documentation for withdrawal, reviewing the documentation, and removing the student from the cohort. Other review of knowledgeable individual was not documented to ensure all students that were removed from the graduation cohort, had the appropriate documentation to do so.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The high school principal shall review and approve withdrawal documentation collected by the registrar prior to the removal of the student from the graduation cohort.

Anticipated Completion Date: Immediate

FINDING 2023-007

Information on the federal program:

Subject: COVID-19 - Education Stabilization Fund – Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425D

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Contact Persons Responsible for Corrective Action: Regin Johnson, Title I Director
Chris Akers, Treasurer
Adrian Wilkerson, Chief Financial Officer

Contact Phone Number and Email Address: (219) 838-1819
rjohnson@lakeridgeschools.net
cakers@lakeridgeschools.net
awilkerson@lakeridgeschools.net

Condition: An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Context: A number of transfer adjustments were made during the audit period from Corporation fund 7923 (ESSER III) to fund 7941 (CARES Ed Stabilization). These transfers were made move payroll disbursement activity for reimbursement. Support for these adjustments was traced to School Corporation's records to verify the Gross Payroll activity moved for all but one transaction, which totaled \$27,824. The supporting documentation for this transaction exceeded the amount of the transaction. Inquiry with School Corporation officials and review of the documentation determined that the amount transferred in this transaction was based on the remaining grant budget amounts in the grant fund 7941. The transaction was not based on actual payroll disbursements as all other transfer adjustments were. The \$27,824 without supporting documentation is considered questioned costs.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: For future transfers of payroll disbursements, both the Treasurer and Grant Director will ensure that the amount transferred corresponds to actual, documented payroll expenses and not an aggregate salary and/or benefit expenditure. The Chief Financial Officer shall review and approve these transfers to ensure compliance.

Anticipated Completion Date: Immediate

FINDING 2023-008

Information on the federal program:

Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Number: 84.425D

Federal Award Numbers and Years (or Other Identifying Numbers): S425D210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Findings: Material Weakness, Modified Opinion

Contact Persons Responsible for Corrective Action: Regin Johnson, Title I Director
Adrian Wilkerson, Chief Financial Officer

Contact Phone Number and Email Address: (219) 838-1819

rjohnson@lakeridgeschools.net

awilkerson@lakeridgeschools.net

Condition: Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

Context: The School Corporation had not designed, nor implemented a system of internal control to ensure that construction contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. One construction contract, totaling \$4,000,000 was paid from the Education Stabilization Fund grant funds during the audit period. The single contract was tested and it did not contain the required prevailing wage rate clause. Additionally, certified payrolls were not obtained until after the School Corporation was issued an ESSER Construction Monitoring Report in late 2023. The School Corporation only obtained "sample" of certified payrolls and did not obtain all of the certified payrolls for the work performed within the grant period.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Chief Financial Officer and Grant Director will ensure that all future construction contracts contain the prevailing wage rate clause required by the program. Additionally, the Chief Financial Officer will review and approve all certified payrolls and compliance statements submitted by contractors and subcontractors in order to ensure compliance with the program.

Anticipated Completion Date: Immediate

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.