

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE RIDGE SCHOOLS

LAKE COUNTY, INDIANA

July 1, 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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the Lake Ridge Schools (School Corporation), for the period from July 1, 2021 to June 30, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

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

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

Beth Kelley, CPA, CFE  
Deputy State Examiner

March 7, 2024

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - RECEIPTS**

*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 proper 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.

*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. . . ."

**AVERAGE DAILY MEMBERSHIP (ADM)**

*Condition and Context*

The School Corporation was unable to provide proper documentation for the verification of a student as an eligible pupil. Of the 25 students tested, supporting documentation was not provided to support the age or residency requirements for 1 and 10 students, respectively. In addition, the School Corporation did not provide proof of attendance or enrollment for 2 students.

Furthermore, the certifications and finalized student counts were not retained for audit for fiscal year 2021-2022. Student counts and listings before finalization were provided; however, the counts did not agree to the State Tuition Support Worksheet, or the Membership Enrollment (DOE-ME) reports provided to the Indiana Department of Education as detailed below:

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

<u>Count Date</u>	<u>Student Detail Listing</u>	<u>Membership Enrollment (DOE-ME)</u>	<u>State Tuition Support Worksheet</u>
Non-Virtual:			
September 2021	1,593	1,586	1,584
February 2022	1,592	1,553	1,553

The School Corporations's final changes were not documented. This was corrected for 2022-2023.

*Criteria*

Indiana Code 5-15-6-3 states:

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

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

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

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

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

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

**APPROPRIATIONS**

*Condition and Context*

Disbursements exceeded the budgeted appropriations for the following funds:

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Calendar Years	Excess Amount Expended
Education	2021	\$ 1,248,356
Debt Service	2023	255,129
Education	2023	1,313,372

*Criteria*

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

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

*Accounts Payable*

The amount reported for the accounts payable as of June 30, 2022, was understated by \$1,980,000.

*Leases and Debt*

At June 30, 2022, the Common School Loans - Principal Due Within One Year was overstated by \$634,815.

At June 30, 2023, the Common School Loans - Ending Principal Balance was overstated by \$1,918,838.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the School Corporation.

*Grants*

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.

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Due to the lack of effective internal controls, the Schedule of Expenditures of Federal Awards (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 Listings Numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report for the School Corporation.

*Criteria*

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

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

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

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

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

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. . . ."

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PREPAID SCHOOL MEAL ACCOUNT**

The same comment also appeared in prior Report B61288.

*Condition and Context*

Monthly reconciliements of all the students' individual meal account balances to the Prepaid Meals fund were not performed. The balance of the Prepaid Meals fund exceeded all the students' individual meal account balances by \$100,383 and \$125,678, at June 30, 2022 and 2023, respectively.

Furthermore, the School Corporation properly receipted student's deposits of funds into their individual meal accounts to the Prepaid Meals fund as required; however, once a student charged a meal to their individual account, the monthly disbursement from the Prepaid Meals fund to the School Lunch fund to record the income did not occur.

*Criteria*

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

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

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Reports B54230 and B61288.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2022 and 2023:

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Amount Overdrawn As of June 30,	
	2022	2023
2017 GO Bond	\$ 500	\$ 500
After School	-	1,078
Tag	-	6,340
Chs Clearing	29,328	30,094

Funds with overdrawn cash balances as a result of grant expenditures awaiting reimbursement were not included in the list above.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**MONTHLY AND ANNUAL GATEWAY UPLOADS**

*Condition and Context*

The School Corporation is required to upload into the Indiana Gateway for Government Units financial reporting system monthly and annual files and governmental unit information.

The files and governmental unit information that are required to be uploaded monthly include bank reconcilements, bank statements, outstanding check lists, approved School Board minutes, and funds ledgers. Annual files required include detailed receipt and disbursement ledger, approved salary schedule for noncertified employees and amendments, annual vendor and payroll history reports, annual funds ledger, and the school lunch prepaid account balance report.

For fiscal year 2022-2023, the School Corporation had not uploaded the monthly approved School Board minutes, bank reconcilements, bank statements, outstanding check lists, or funds ledgers.

The School Corporation had not uploaded any of the 2021-2022 or 2022-2023 required annual information.

*Criteria*

The upload of December 2020 monthly files will be due February 15, 2021, and by the 15<sup>th</sup> of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1<sup>st</sup> (August 29<sup>th</sup> for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The School Corporation did not provide proper training to applicable personnel on internal control standards, this included teachers, coaches, and event planners.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CERTIFICATION OF INTERNAL CONTROL STANDARDS**

*Condition and Context*

The School Corporation incorrectly certified on the Indiana Gateway for Government Units financial reporting system for 2021-2022 and 2022-2023 that the School Corporation had provided employees with internal control training. The School Corporation did not provide proper training to teachers, coaches, and event planners.

*Criteria*

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

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

LAKE RIDGE SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2024, with Christina Akers, Treasurer; Adrian Wilkerson, CFO/Business Manager; Dr. Sharon Johnson-Shirley, Superintendent of Schools; Kimberly Osteen, President of the School Board; Cynthia E. Mose-Trevino, Assistant Superintendent of Schools; and Regin Johnson, Title I/ML Director.