

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
LAPORTE COMMUNITY SCHOOL CORPORATION  
LAPORTE COUNTY, INDIANA  
July 1, 2014 to June 30, 2016



**FILED**  
07/27/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia G. Baxter Jayne L. Grillo	01-01-14 to 05-27-16 05-28-16 to 12-31-17
Chief Financial Officer	M. Gregory Hunt	07-01-14 to 06-30-17
Superintendent of Schools	Michael Petibone (interim) Mark D. Francesconi	07-01-14 to 07-06-14 07-07-14 to 06-30-17
President of the School Board	Michael Kellems Shannon Hannon Mitch Feikes Mark Kosior	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE LAPORTE COMMUNITY SCHOOL  
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the LaPorte Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment contained herein describes the identified reportable instance 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

June 7, 2017

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

**FINDING 2016-001 - CASH AND INVESTMENT BALANCES**

*Condition*

There were deficiencies in the internal control system of the School Corporation related to cash and investments. There were no controls in place to ensure that record balances were reconciled monthly to the bank depository balances.

Due to the implementation of new financial software and issues with transferring data from the old software, reconciliations of the fund balance to the payroll bank account balance were not presented for all 24 months of the audit period. Reconciliations of the fund balances to the corporate bank account and investment bank account were not presented for 3 months of the audit period. The School Corporation payroll bank account had not been reconciled since June 2014. The corporate and investment bank accounts have not been reconciled since March 2016.

In total, the bank balance exceeded the School Corporation's record balance by \$125,187 and \$2,414,249 as of June 30, 2015, and June 30, 2016, respectively.

*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. . . ."

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

*Cause*

Management of the School Corporation had not established a proper system of internal control.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

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

**FINDING 2016-002 - PREPARATION OF THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

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). One employee prepared and submitted the SEFA without controls to ensure its accuracy.

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster did not include commodities of \$210,849 and \$214,233 for the years ended June 30, 2015 and 2016, respectively.
2. The School Breakfast Program was understated by \$4,855, for the year ended June 30, 2016.
3. The National School Lunch Program was overstated by \$10,191 for the year ended June 30, 2016.
4. The Summer Food Service Program for Children was understated by \$5,231 for the year ended June 30, 2016.
5. The Special Education Cluster (IDEA) was overstated by \$10,204 and \$313,391 for the years ended June 30, 2015 and 2016, respectively.
6. The Title I Grants to Local Educational Agencies was understated by \$13,667 and \$249,061 for the years ended June 30, 2015 and 2016, respectively.
7. The English Language Acquisition State Grants were overstated by \$739 for the year ended June 30, 2015, and understated by \$2,470 for the year ended June 30, 2016.
8. The Improving Teacher Quality State Grants was overstated by \$792 for the year ended June 30, 2015, and understated by \$21,167 for the year ended June 30, 2016.

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. . . ."

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 Financial statements. . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 Basis for determining Federal awards expended. 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 CFDA number or other identifying number when the CFDA 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 Basis for determining Federal awards expended, paragraph (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 the 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 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-003 - CASH MANAGEMENT***

Federal Agency: Department of Education  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education

This is a repeat of Finding 2014-002 from the immediate prior year.

*Condition*

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 Cash Management compliance requirement.

The Food Service Department designed a control but failed to properly implement it to ensure compliance with the cash management requirements.

The School Corporation did not have properly implemented internal controls to ensure that they limited their Net Cash Resources in the School Lunch fund to the three months average expenditures of the food service. In addition, the School Corporation failed to comply with the cash management requirements.

*Context*

This was a systemic issue. The net cash resources in the School Lunch fund exceeded the three months average expenditure amounts in every month from July 2014 to June 2016.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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). . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the cash management requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Cash Management compliance requirement. We also recommended that the School Corporation comply with the Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

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 Equipment and Real Property Management compliance requirement.

The School Corporation failed to properly design and implement internal controls to ensure compliance with equipment and real property management requirements. The School Corporation purchased items exceeding the capitalization threshold of \$5,000 during the 2014-2015 and 2015-2016 school years. Those purchases included dishwashers, ovens, refrigerators, a walk-in cooler, and a forklift. None of those purchases were included on the School Corporation's capital asset listing. Equipment purchases made in the 2015-2016 school year that exceeded the capitalization threshold were not recorded on the capital asset listing due to turnover of key personnel. Additionally, the School Corporation had not taken a physical inventory of their equipment during the audit period.

*Context*

This is an isolated instance; the School Corporation did not record equipment purchases in the 2015-2016 year to the capital asset listing.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 3016.32(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Equipment and Real Property Management requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Equipment and Real Property Management compliance requirement. We also recommended the School Corporation comply with the Equipment and Real Property Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-005 - PROGRAM INCOME**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

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 Program Income compliance requirement.

Program income related to students' prepaid account balances was not properly recorded in the accounting records of the School Corporation. The School Corporation utilized a single fund, the School Lunch fund, to account for all activity of the food service program. In addition, because prepaid receipts were recorded directly in the School Lunch fund, these receipts were identified as program income before they were earned.

*Context*

The lack of controls and compliance was a systemic problem. The School Corporation failed to properly record program income related to student's prepaid accounts. Program income requirements could not be tested due to the activity of the food service program being maintained in a single fund, the School Lunch fund.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

2 CFR 200.302(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly identified and accounted for.

*Effect*

The failure to establish an effective internal control system prevented the determination of compliance with program income requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that the program income records were properly maintained.

*Views of Responsible Officials*

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

***FINDING 2016-006 - PROCUREMENT, SUSPENSION, AND DEBARMENT***

Federal Agency: Department of Education

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

This is a repeat of Finding 2014-003 from the immediate prior year.

*Condition*

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 Procurement and Suspension and Debarment compliance requirement.

There were no controls in place to ensure compliance with the suspension and debarment requirements. The School Corporation failed to provide documentation for how they evaluated bids related to various supplies and goods purchased by the Food Service. Additionally, the School Corporation failed to ensure that vendors were not suspended or debarred. They did not perform a verification or obtain certifications that the vendors were not suspended or debarred.

*Context*

The lack of controls and compliance was a systemic problem. There were no procedures in place to ensure compliance with any transactions subject to the suspension and debarment requirements throughout the audit period.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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). . . ."

2 CRF 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement. We also recommended that the School Corporation comply with the suspension and debarment requirements.

*Views of Responsible Officials*

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

**FINDING 2016-007 - SPECIAL TESTS AND PROVISIONS - SCHOOLWIDE PROGRAMS**

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): ESEA 2013-2014, ESEA 2014-2015,  
ESEA 2015-2016

Pass-Through Entity: Indiana Department of Education

*Condition*

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 - Schoolwide Programs compliance requirement.

There were no controls in place to ensure that the Schoolwide Plans were completed each school year. The Schoolwide Plans were not properly updated; many had not been updated since the 2010-2011 school year. The cover pages had the proper dates, but the plans themselves were dated with prior school years.

*Context*

The lack of controls and compliance was a systemic problem. The School Corporation failed to establish controls that would have ensured that the Schoolwide Plans were updated as required.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 200.26(c) states:

"*Evaluation.* A school operating a schoolwide program must—

- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
- (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
- (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the special tests and provisions - schoolwide programs requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement. We also recommended the School Corporation comply with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Views of Responsible Officials*

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



Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**Board of School Trustees**

Mr. Mark Kosior, President  
Mrs. Jan Ribordy, Vice President  
Mrs. Shannon Hannon, Secretary  
Mrs. Rhonda Spence, Member  
Mrs. Marie Gilliland, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

**CORRECTIVE ACTION PLAN**

***FINDING 2016-001: Cash and Investment Balances***

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056



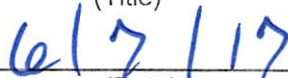
**Views of Responsible Official:**

We concur with the finding, however, internal controls procedure is in place and has been followed for the verification of bank reconciliations. It had not been followed for the last three months of the audit period due to the conversion of the financial software and the fact that the balances that were carried forward were not the true cash balances, therefore not allowing us to correctly reconcile our bank statements to our software. However, the CFO and the Treasurer manually checked the expenses and revenues and calculated that into the March 31, 2016 balances to ensure we were tracking our funds in the only way possible at the time. This is also how we were able to complete the Form 9's after switching our software company. The whole purpose of moving to the new software was to increase the internal controls process of financial activity and reporting. Monitoring the validity of financial activity was and has continued to be done by matching our revenues, expenses, and outstanding checks against the monthly bank statements. Turnover in the Treasurer, Deputy Treasurer, and Payroll has also been a small contribution to the delay in reconciliation. Our Treasurer of over 18 years retired with our former Deputy Treasurer stepping into the role of Treasurer. And with her learning her new role in addition to teaching the new Deputy Treasurer her role it has been extremely time consuming and a huge learning experience with verifying accuracy in the new financial software. In Payroll it went from two people to one person running the Payroll for over 1100 employees and on top of that, the one person had to have surgery and was out for over six weeks making it very difficult to complete all tasks. That has since been rectified by adding another person in Payroll to verify accuracy as well as aid in taking the burden off one person to complete all payroll duties.

**Description of Corrective Action Plan:**

True cash balances have been verified and submitted to the financial software company to correct the beginning cash balance for April 1, 2016. Reconciliations will be completed going back to April 1, 2016 and going forward. LPCSC is awaiting the verification from the software company and it is our hope that those will be in place by the end of June 2017. LPCSC will resume the established internal controls procedure of the Treasurer reconciling the financial bank statements and the Lead Payroll Clerk reconciling the payroll bank statement then signing off with the CFO verifying the accuracy and initialing and dating the statement on a monthly basis.

**Anticipated Completion Date:**  
By the end of June, 2017

  
\_\_\_\_\_  
(Signature)  
  
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(Title)  
  
\_\_\_\_\_  
(Date)



**Board of School Trustees**

Mr. Mark Kosior, President  
Mrs. Jan Ribordy, Vice President  
Mrs. Shannon Hannon, Secretary  
Mrs. Rhonda Spence, Member  
Mrs. Marie Gilliland, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**CORRECTIVE ACTION PLAN**



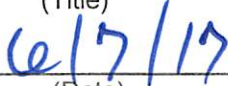
***FINDING 2016-002: Preparation of the Schedule of Expenditures of Federal Awards***

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The LPCSC Board has adopted new board policy regarding internal controls and is documenting procedures in an LPCSC Internal Controls Guideline. The Deputy Treasurer will compile the data and information for the Annual Financial Report on Gateway but before online submission is made, the Treasurer and CFO will review the report for accuracy and sign off upon completion of review. The report and signature page will be kept on file.

Anticipated Completion Date:  
August of 2017

  
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(Signature)  
  
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(Title)  
  
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(Date)



Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

**CORRECTIVE ACTION PLAN**

***FINDING 2016-003: Cash Management***

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

**Views of Responsible Official:**

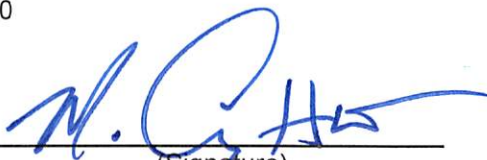

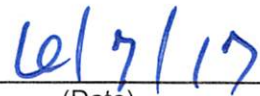
We concur with the finding that the cash balance exceeds the three month operating balance, but not due to a lack of internal controls. LPCSC takes great pride in offering school lunches that students want to purchase due to the creativity of what is being offered. Many different school corporations inquire how LPCSC has such a high breakfast and lunch participation. The high participation coupled with the line by line bidding process of commodities and supplies results in a strong revenue. A constant eye is kept on the balance and many attempts have been to lower the balance without being frivolous.

**Description of Corrective Action Plan:**

LPCSC has purchased kitchen equipment and other capital items, given raises to the Food Service Staff, added a variety of fresh fruits and vegetables to the menu, and picked up the reduced students cost making lunch free for those students, all in effort to lower the operating balance. We have also established the appropriate Prepaid Clearing Accounts which has also brought our cash balance down in our Food Service fund. LPCSC is currently in the process building a new elementary school and an intermediate campus and we are holding cash in which to pay for all of the kitchen equipment for both of those projects. Once the projects are completed in 2019, the balance should be at the required three month operating balance.

**Anticipated Completion Date:**

Elementary Building 2018-2019 and Intermediate Building 2019-2020

  
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(Signature)  
  
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(Date)

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Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**CORRECTIVE ACTION PLAN**

**FINDING 2016-004: Equipment and Real Property Management**

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

**Views of Responsible Official:**



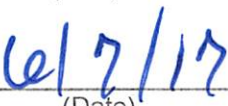
We concur with the finding. Due to current and upcoming construction of our new Handley Elementary School, a new Performing Arts Center and a new Intermediate School, we felt it would be more accurate to have an outside agency conduct a physical inventory of the entire corporation once these projects were underway. Changes with personnel in the business office and converting to the new financial and student software also played an important factor in delaying the updates to the capital asset listing. Each year the capital list is revised, however, a complete physical inventory has not been performed since 2010. LPCSC intends have an outside source conduct a physical inventory beginning in the summer of 2017. This will allow for a reconciliation of any equipment, in addition to the assets purchased during 2015-2016 school year.

**Description of Corrective Action Plan:**

LPCSC has requested and received an on-site appraisal quote from an outside agency to conduct a physical inventory of assets that exceeds the capitalization threshold of \$5000. The on-site inspection will take place in parts. The first part will be to inventory all buildings except the ones listed above as our new construction. As those projects are completed, the outside agency will come back to do an on-site inspection and record those additions. A contract will be signed to begin the work in the summer of 2017.

**Anticipated Completion Date:**

Fall of 2017 / As construction projects are completed

  
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(Date)



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Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

Board of School Trustees

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Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

CORRECTIVE ACTION PLAN

**FINDING 2016-005: Program Income**

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

Internal controls have been established and will continue to be a constant work in progress. The appropriate Clearing Account for prepaid meal accounts has been established along with the proper receipt and revenue classifications, in accordance with the State Board of Accounts. Transfers from the prepaid line to the revenue line will be done on a monthly basis (preferably by the 5<sup>th</sup> of the following month) and the deadline for the transfer has been established and is reflected as such in the LPCSC Internal Controls Manual.

Anticipated Completion Date:  
Is currently in place.

A handwritten signature in blue ink, appearing to read "M. Greg Hunt", is written over a horizontal line.

(Signature)

The handwritten title "CFO" is written in blue ink over a horizontal line.

(Title)

The handwritten date "6/7/17" is written in blue ink over a horizontal line.

(Date)

**Board of School Trustees**

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Mr. M. Greg Hunt, Chief Financial Officer

**CORRECTIVE ACTION PLAN**

**FINDING 2016-006: Procurement, Suspension and Debarment**

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

Internal controls have been established and will continue to be a constant work in progress. LPCSC currently has a system in place for to check suspension and debarment for our Title Grants. The same system will be used for checking vendors for our bid awards and purchases made with funds from the National School Lunch Program and Summer Food Service Program for Children. The system for checks and balance will even go a step further than with our Title Grants and will be conducted as follows. Each purchase made using funds from our Food Service will be run through [www.sams.gov](http://www.sams.gov) prior to placing an order. This process will be conducted by the Food Service secretary and the results of the search will be attached to the purchase order or claim form before submitting to our Accounts Payable department. The head of our Accounts Payable will double check to ensure that a copy of the sams.gov has been attached to the purchase order or claim, if not, that individual will run the report and attach it.

Anticipated Completion Date:  
Is currently in place.

  
\_\_\_\_\_  
(Signature)

CFO  
\_\_\_\_\_  
(Title)

6/3/17  
\_\_\_\_\_  
(Date)



Mr. Mark D. Francesconi, Superintendent  
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Mr. Jim Arnold, Member

**CORRECTIVE ACTION PLAN**

***FINDING 2016-007: Internal Control Over Special Tests and Provisions - Schoolwide Programs***

Contact Person Responsible for Corrective Action: Greg Hunt  
Contact Phone Number: 219-362-7056

Views of Responsible Official:  
We concur with the finding.

**Description of Corrective Action Plan:**

Internal controls have been established and will continue to be a constant work in progress. Each year Schoolwide Improvement Plans for all public schools are due to the Indiana Department of Education by September 15. LPCSC is going to utilize that deadline to update the Schoolwide Plans for Title I Federal Program. In addition to the deadline set forth by the State, the Schoolwide Plans for each of our Title schools, will be used for the Schoolwide Plan for Title I. This process will ensure that plans are updated in a timely manner and that the most current information included in the plan. Plans are submitted to the Assistant Superintendent that oversees Title I and it will also be verified for completion and accuracy by the LPCSC Grant Coordinator.

**Anticipated Completion Date:**

Will begin with the September 15 deadline for the 2017-2018 school year.

  
\_\_\_\_\_  
(Signature)

CFO  
\_\_\_\_\_  
(Title)

6/2/17  
\_\_\_\_\_  
(Date)

LAPORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Single Audit Report for the School Corporation included the following funds with overdrawn cash balances at June 30, 2015, and June 30, 2016:

Funds	Amount Overdrawn as of June 30,	
	2015	2016
Textbook Rental	\$ 403,953	\$ 704,276
Supplemental Life Ins TFR	-	897
Payroll Clearing	-	23,864

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)

LAPORTE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2017, with M. Gregory Hunt, Chief Financial Officer; Jayne L. Grillo, Treasurer; Holly Casto, Deputy Treasurer; Mark D. Francesconi, Superintendent of Schools; Marie Gilliland, School Board member; Jim Arnold, School Board member; and Mark Kosior, President of the School Board.