

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE STATION COMMUNITY SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
04/30/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs/Treasurer	Sandra Cain (Vacant)	07-01-14 to 06-30-16 07-01-16 to 07-14-16
Chief Financial Officer/Treasurer	Eric Kurtz	07-15-16 to 06-30-18
Superintendent of Schools	Thomas Cripliver	07-01-14 to 06-30-18
President of the School Board	Karen Curtis James Vanderlin Larry Biggs Karen Curtis	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE LAKE STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Lake Station Community Schools (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

April 12, 2018

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2014-001 from the immediate prior audit.

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to receipts, disbursements, Financial Transactions and Reporting, and the Schedule of Expenditures of Federal Awards (SEFA).

*Receipts*

One individual recorded the receipts, had access to make adjustments to the financial accounting system, prepared the deposits, and took the deposits to the bank. A proper system of oversight and review was not established.

*Disbursements*

One individual generated the vendor checks, signed the vendor checks, and recorded the vendor checks in the financial accounting system without a proper system of oversight and review.

One individual was responsible for the payroll process. This individual had access to change pay rates without evidence of a proper system of oversight or review.

*Financial Transactions and Reporting*

One individual prepared the financial reports without evidence of a proper system of oversight or review.

The transactions of the Textbook Rental fund were accounted for in the Extracurricular Accounts (ECA) of each school, which was outside of the financial accounting system of the School Corporation. The amounts reported for this fund were submitted by the individual ECA treasurers and entered into the School Corporation's financial accounting system as totals for reporting purposes. There were no internal controls over these transactions based upon the accounting procedures for the ECAs. The ECA Treasurers receipted and deposited collections, disbursed funds, recorded the transactions in a ledger, reconciled the ledger to the depository balance, prepared the financial reports, and reported the totals of receipts, disbursements, and balances to the School Corporation Treasurer for inclusion in the School Corporation's financial statement. There was no oversight or review of these accounts.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Schedule of Expenditures of Federal Awards (SEFA)*

One employee prepared the SEFA without evidence of a proper system of oversight or review.

2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the School Corporation to monitor and assess the quality of the system of internal control.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*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. . . ."

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

*Cause*

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

*Effect*

The failure to establish and monitor controls could have enabled misstatements or irregularities to remain undetected.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish and monitor a system of internal controls to ensure that financial transactions are properly recorded and reported, and federal expenditures are properly reported in the SEFA.

*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**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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 or Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*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 Allowable Costs/Cost Principles compliance requirement.

One person calculated the indirect costs that were charged to the programs without any evidence of review or oversight.

The School Corporation incorrectly calculated the indirect costs due to the inclusion of equipment purchases when applying the indirect cost rate. Due to the incorrect calculation, the School Corporation received \$79,470 in excess indirect costs reimbursements.

*Context*

The lack of controls and noncompliance over indirect costs were isolated to the 2014-2015 school year. The School Corporation no longer charges indirect costs to the programs.

*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. . . ."

LAKE STATION COMMUNITY SCHOOLS  
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). . . ."

OMB Circular A-87, Attachment E, C. Allocation of Indirect Costs and Determination of Indirect Cost Rates states in part:

"1. General.

(a) Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate accomplished through simplified allocation procedures as described in subsection 2. . . .

2. Simplified method. . . .

(b) Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. . . ."

2 CFR 200.414(d) costs states: "Pass-through entities are subject to the requirements in § 200.331 Requirements for pass-through entities, paragraph (a)(4)."

2 CFR 200.331 states in part:

"All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes: . . .

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs). . . .

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f); . . ."

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement related to indirect costs.

*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*

Questioned costs of \$79,470 were identified as detailed in the *Condition*.

*Recommendation*

We recommended that the School Corporation establish effective controls to ensure the accuracy of calculations for indirect costs in compliance with the Allowable Costs/Cost Principles 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 2016-003**

Subject: School Breakfast Program, National School Lunch Program - Cash Management

Federal Agency: Department of Agriculture

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 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

*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 School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures.

The School Corporation did not comply with the Cash Management requirement that they limit its net cash resources to three months average expenditures.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The cash balance in the School Lunch fund (net cash resources) exceeded 3 months average expenditures in 20 of the 24 months of the audit period.

*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 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*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with Cash Management compliance requirement.

*Effect*

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

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and 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**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Procurement*

The School Corporation had not established effective controls to ensure proper procurement methods were selected prior to purchasing goods.

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro purchase, small purchase or sealed bid), and the thresholds for each method as follows:

<u>Procurement Method</u>	<u>Dollar Amount</u>
Micro-Purchase	< \$3,500
Small Purchase	\$3,500 - 150,000
Exceeds Simplified Acquisition	> \$150,000

The School Corporation had three vendors who met the requirements for the small purchase method for which no documentation of quotes was provided.

For three other vendors, the Food Service Director indicated that price listings from the vendors were compared for the lowest price; however, there was no documentation available to verify that prices were compared.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Suspension and Debarment*

The School Corporation did not have any policies or procedures in place to ensure that those vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

The School Corporation participated in a Service Center for some of its food service purchasing. The Service Center checked for compliance with suspension and debarment requirements for the vendors used by its members. The School Corporation did not retain documentation that two of three contracted vendors had not been suspended or debarred.

*Context*

The lack of controls was a systemic issue throughout the audit period. Documentation was not provided to support compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement for only the 2015-2016 fiscal year due to changes in federal requirements for procurement. Documentation also was not provided to support compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for both fiscal years.

*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 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured that documentation related to compliance with the Procurement and Suspension and Debarment compliance requirement was maintained and made available for audit.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish controls to ensure documentation will be maintained and made available for audit related to the Procurement and Suspension and Debarment 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**

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions - Paid Lunch Equity  
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 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Reporting, Special Tests and Provisions - Paid Lunch Equity  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2014-002 from the immediate prior audit regarding Reporting.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Reporting*

The School Corporation did not have proper segregation of duties to ensure the required reports were accurate. Monthly and annual reports filed were not reviewed prior to submission.

*Paid Lunch Equity (National School Lunch Program only)*

The School Corporation did not have adequate controls in place for paid lunch equity. The Food Service Director calculated the weighted average price; however, there was no documentation of review of the calculation.

*Context*

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

LAKE STATION COMMUNITY SCHOOLS  
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). . . ."

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Views of Responsible Officials*

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

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-006***

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

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): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Reporting, Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; Special Tests and Provisions - Schoolwide Programs

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2014-004 from the immediate prior audit regarding Activities Allowed or Unallowed, Cash Management, Reporting, and Special Tests and Provisions - Comparability.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking, Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Programs.

*Activities Allowed or Unallowed*

One employee prepared and determined the distribution of the payroll expenditures to the correct funds. There was no segregation of duties, such as an oversight or approval process, to ensure that Title I employees were paid from the correct fund.

*Cash Management and Reporting*

One employee prepared and submitted the requests for reimbursement without evidence of a proper system of oversight or review.

*Eligibility*

The Title I director reviewed the Eligibility numbers per the Eligibility School Summary Table per grant application; however, the review process was not documented.

*Level of Effort - Maintenance of Effort and Reporting*

The Biannual Financial Report Certification Form for the Form 9 report was indicated as prepared by the Chief Financial Officer/Director of Business Affairs and reviewed by the Superintendent of Schools; however, there was no documentation of the review of the report to supporting documentation.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Reporting*

The Annual Expenditure Reports were prepared by the Chief Financial Officer/Director of Business Affairs without evidence of a proper system of oversight or review.

*Special Tests and Provisions - Comparability*

The Comparability reports were prepared by the Title I Grant Director and reviewed by the Superintendent of Schools; however, there was no documentation of the review of the report.

*Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals*

The School Corporation had no documented controls in place to ensure that teachers hired within the School Corporation met the highly qualified requirements for the subject areas they were employed to teach.

*Special Tests and Provisions - Schoolwide Programs*

The School Corporation had not consistently documented the review of the schoolwide program plans.

*Context*

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

*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). . . ."

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Program.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements noted above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Programs.

*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**

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 16-4680

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreements and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not have controls in place to ensure that personnel activity reports, such as time and effort logs or Semi-Annual Certifications, were properly prepared, reviewed, and retained for all staff paid from grant funds.

The School Corporation did not comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Personnel activity reports, such as time and effort logs or Semi-Annual Certifications, were not retained to support the payments which totaled \$55,891 to the Title I Director for the 2015-2016 fiscal year.

*Context*

The lack of controls was a systemic issue throughout the audit period; however, the noncompliance related to the personnel activity reports was isolated to the 2015-2016 fiscal year.

*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). . . ."

OMB Circular A-87, Attachment A, Part C. states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(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. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- ii. Be incorporated into the official records of the non-Federal entity;
- iii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- iv. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Department of Education Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part: "Title I funded staff paid solely from the Title I Funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month. . . ."

*Cause*

The School Corporation had not developed or implemented a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

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

*Questioned Costs*

Questioned costs of \$55,891 were identified as detailed in the *Condition*.

*Recommendation*

We recommended that the School Corporation establish effective controls to ensure compliance and comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-008**

Subject: Title I Grants to Local Educational Agencies - Procurement

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): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement. The School Corporation had not established effective controls to ensure that proper procurement methods were selected prior to purchasing goods.

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro-purchase, small purchase, or sealed bid) and the thresholds for each method.

The School Corporation did not comply with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement as determined by 2 CFR 200.320. Two of the four vendors tested for procurement compliance were subject to the "small purchase" procurement method (\$3,500 - \$150,000). The School Corporation expended \$53,115 and \$3,738 for educational materials and professional development, respectively. The School Corporation did not obtain quotes from other vendors or document its basis for purchasing from these vendors.

*Context*

The lack of controls and noncompliance with procurement requirements were isolated to the 2015-2016 fiscal year due to changes in federal requirements for procurement.

*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 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

*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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-009***

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 Grant to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Specials Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not have controls to ensure that documentation regarding the reason for a student leaving the high school cohort graduation rate for mobility reasons was prepared, reviewed, and retained.

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirement 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.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not obtain the proper documentation required for 11 of the 12 students tested.

*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. . . ."

LAKE STATION COMMUNITY SCHOOLS  
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 200.19(b) states in part:

"*High schools*—

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*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.

LAKE STATION COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-010**

Subject: Title I Grants to Local Educational Agencies - Special  
Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation was required to maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

The School Corporation did not have a documented oversight or review process to ensure that the proper employees were receiving the required testing and security training, including chain of custody of testing materials.

The School Corporation had the appropriate administration and building personnel certify the Agreements that documented their understanding of the School Corporation's test security measures and policies; however, not all Agreements were provided for audit.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. Signed Agreements for the junior/senior high school employees and a grant director were not provided for audit.

LAKE STATION COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Assessment Program Manual, Chapter 10, Section 9, Part A states in part: ". . . School Corporation, accredited nonpublic school, charter school, and Choice school administrators must develop, implement and assess procedures for the secure storage, administration and delivery of standardized test books back to the IDOE via the test contractor."

Lake Station Community Schools 2623.01 - Test Security Provisions for Statewide Assessments policy states: ". . . D. following all procedures located in the testing manuals and those outlined by the IDOE. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the *Indiana Testing Security and Integrity Agreement* annually by the end of September as described in the Code of Ethical Practices and Procedures. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

LAKE STATION COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Assessment System Security 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 2016-011**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-047-PN01; 14214-047-PN01;  
99914-047-TA01; 14215-047-PN01;  
14216-045-PN01; 45714-047-PN01;  
45715-047-PN01; 45716-045-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The Biannual Financial Report Certification Form for the Form 9 report was prepared by the Chief Financial Officer/Director of Business Affairs and reviewed by the Superintendent of Schools; however, there was no documentation of the comparison of the report to supporting documentation.

*Context*

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

*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. . . ."

LAKE STATION COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of an effective internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

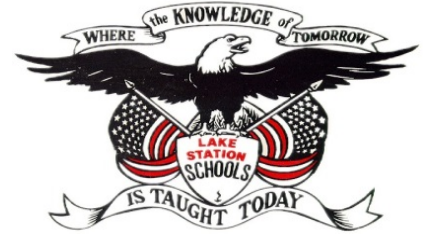
We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Views of Responsible Officials*

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

# LAKE STATION COMMUNITY SCHOOLS

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## Corrective Action Plan

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### **FINDING 2016-001**

Subject: Financial Transactions and Reporting

Person Responsible for Corrective Action:  
Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Similar concerns as those identified in the finding relating to the Lack of Segregation of Duties and Monitoring of Controls are shared. Most personnel responsible for these areas assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover and a small staff, segregation of duties presents challenges.

### **Description of Corrective Action Plan:**

The corrective action will include:

- 1) A review of current assignments and segregating duties to reduce risks and improve controls.
- 2) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 3) Improved internal controls and monitoring.
- 4) Actions to enhance retention of personnel responsible for financial transactions and reporting to reduce turnover.
- 5) Improved use of technology-based systems to ensure effectiveness and accuracy financial transactions and reporting.

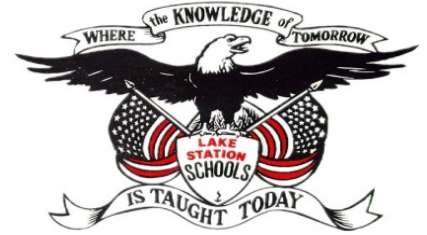
### **Anticipated Completion Date:**

An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by October 1, 2018.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

# LAKE STATION COMMUNITY SCHOOLS

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## Corrective Action Plan

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### **FINDING 2016-002**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Similar concerns are shared as those identified in the finding relating to the lack of an effective internal control system to ensure compliance with grant, allowable costs, and cost principles. Due to a small food service office staff, effective segregation of duties/monitoring presents challenges.

### **Description of Corrective Action Plan:**

The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of the US Department of Agriculture program requirements and IN DOE food service guidance.

### **Anticipated Completion Date:**

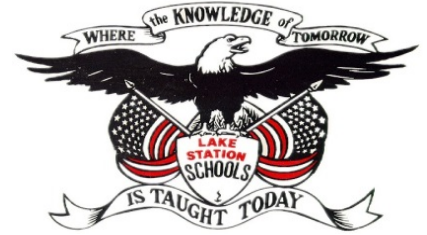
An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by September 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

# LAKE STATION COMMUNITY SCHOOLS

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## Corrective Action Plan

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### **FINDING 2016-003**

Subject: Child Nutrition Cluster - Cash Management

### **Persons Responsible for Corrective Action:**

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

While the finding states "... that the School Lunch fund cash balance (net cash resources)" ... "not exceed three months average expenditures" the food service facilities and equipment are aging and will require significant maintenance and capital replacement expenditures. The funds in excess are intended to be available to meet these projected significant maintenance and capital replacement expenses.

### **Description of Corrective Action Plan:**

We will collaborate with IN DOE food service for guidance on how to implement a capital equipment / facility / infrastructure improvement and replacement program, once this plan is in place the food service cash balance will managed to "not exceed three months average expenditures" excluding funds allocated to the new plan.

### **Anticipated Completion Date:**

Capital equipment / facility / infrastructure improvement and replacement program will be developed by September 15, 2018.

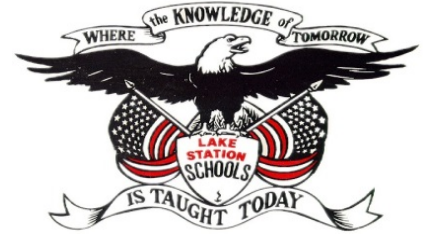
A handwritten signature in black ink that reads 'Eric D. Kurtz'.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools

April 12, 2018

# LAKE STATION COMMUNITY SCHOOLS

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## Corrective Action Plan

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### **FINDING 2016-004**

Subject: Child Nutrition Cluster – Procurement and Suspension and Debarment

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

We concur with the finding that an established an effective internal control system related to the federal Child Nutrition Cluster grant agreement and the Procurement and Suspension and Debarment compliance requirement.

### **Description of Corrective Action Plan:**

Procedures will be developed and implemented to create and retain supporting documentation of compliance with federal Child Nutrition Cluster Procurement and Suspension and Debarment requirements.

### **Anticipated Completion Date:**

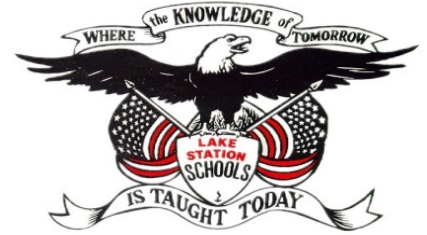
New Child Nutrition Cluster procurement activities are underway for the 2018-2019 school year; extensive work has been done to developed and implement cooperative purchasing in collaboration with IN DOE and Northwest Indiana Education Service Center (NWIESC) that ensure compliance with federal Child Nutrition Cluster Procurement and Suspension and Debarment requirements. Compliance is anticipated by August 20, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

# LAKE STATION COMMUNITY SCHOOLS

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## Corrective Action Plan

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### **FINDING 2016-005**

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions – Paid Lunch Equity

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

While this finding is identified as a separate and distinct finding, the concerns identified are substantially like **FINDING 2016-002, 2016-003, 2016-004** relating to an ineffective or lacking internal control system. As noted previously notes, due to a small food service office staff, effective segregation of duties/monitoring presents challenges.

### **Description of Corrective Action Plan:**

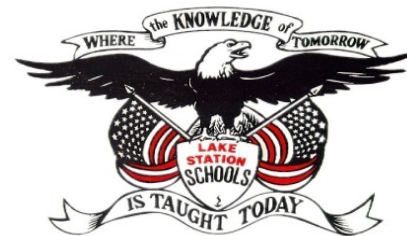
The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of the US Department of Agriculture program requirements and IN DOE food service guidance.

### **Anticipated Completion Date:**

An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by September 1, 2018.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018



## Corrective Action Plan

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### **FINDING 2016-006**

Subject: Title I Grants to Local Educational Agencies

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Similar concerns as those identified in this finding relating to the Lack of Segregation of Duties and Monitoring of Controls are shared. Most personnel responsible for federal Title I program assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover thorough and in-depth program knowledge was lost; and with a small staff, segregation of duties presents challenges. We find ourselves presented with the choice of adding staff to meet oversight and control expectations; which reduces funding available for program service deliver to students. In addition, with the new federal Every Student Succeeds Act (ESSA) many provisions of the No Child Left Behind Act (NCLB) are no longer applicable.

### **Description of Corrective Action Plan:**

The corrective action will include:

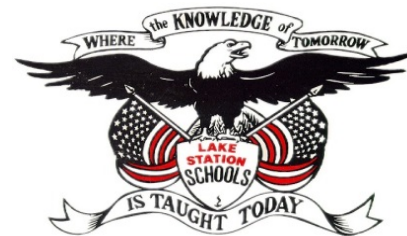
- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of new program requirements under ESSA replacing NCLB.
- 5) Improved understanding of US Education Department program and grant requirements and IN DOE guidance for federal Title I programs under ESSA.

### **Anticipated Completion Date:**

Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives by August 17, 2018 with implementation by October 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018



## Corrective Action Plan

### **FINDING 2016-007**

Subject: Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Similar concerns as those identified in this finding relating to an effective internal control system related to federal Title I grant agreements and the Activities Allowed or Unallowed, and Allowable Costs/Cost Principles compliance requirements are shared. Most personnel responsible for federal Title I program assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover thorough and in-depth program knowledge was lost; and with a small staff, segregation of duties and in-depth monitoring presents challenges. We also, understood from federal Uniform Grant Guidance Workshops hosted by IN DOE that time and effort logs were no-longer required. With the new federal Every Student Succeeds Act (ESSA) many provisions of the No Child Left Behind Act (NCLB) are no longer applicable.

### **Description of Corrective Action Plan:**

The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of appropriate methodology for tracking of personnel time and effort dedicated to the furtherance of federal grant related activities to ensure compliance and comply with the Activities Allowed or Unallowed, and Allowable Costs/Cost Principles
- 5) Improved understanding of new program requirements under ESSA replacing NCLB.
- 6) Improved understanding of US Education Department program and grant requirements and IN DOE guidance for federal Title I programs under ESSA.

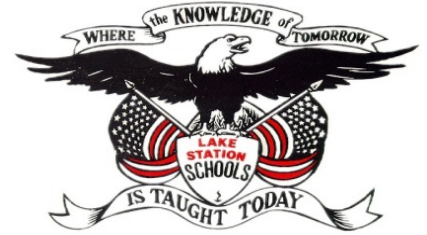
### **Anticipated Completion Date:**

Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives by August 17, 2018 with implementation by October 1, 2018.

  
Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

# **LAKE STATION COMMUNITY SCHOOLS**

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FAX: (219) 962-4011



## **Corrective Action Plan**

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### **FINDING 2016-008**

Subject: Title I Grants to Local Educational Agencies – Procurement

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

We concur with the finding that an established an effective internal control system related to federal Title I grant agreement and the Procurement and Suspension and Debarment compliance requirement.

### **Description of Corrective Action Plan:**

Procedures will be developed and implemented to create and retain supporting documentation of compliance with federal Title I Procurement and Suspension and Debarment requirements.

### **Anticipated Completion Date:**

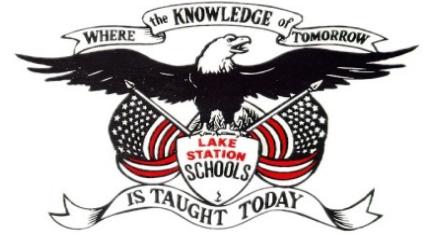
Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives for federal Title I Procurement and Suspension and Debarment requirements by August 17, 2018 with implementation by October 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

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## Corrective Action Plan

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### **FINDING 2016-009**

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

Persons Responsible for Corrective Action:

Christine Pepa – 219-962-8531

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Concerns raised with respect to written documentation evidence not being presented for audit supporting High School Graduation Rate for the students removed from the High School cohort graduation rate for mobility reasons 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.

### **Description of Corrective Action Plan:**

Establish a documentation practice for High School cohort graduation rate.

### **Anticipated Completion Date:**

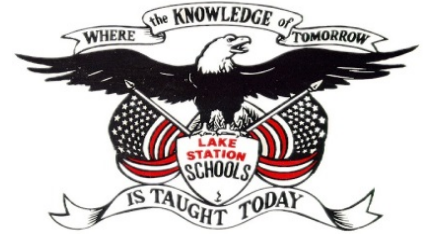
Assess and understand documentation and reporting requirements for High School cohort graduation rate by June 30, 2018; implement program for reporting by September 1, 2018.

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Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

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## Corrective Action Plan

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### **FINDING 2016-010**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions – Assessment System Security

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Concerns raised with respect to written documentation evidence supporting signed Indiana Testing Security and Integrity Agreements; several signed agreements were not presented for audit.

### **Description of Corrective Action Plan:**

Establish a documentation practice for tracking signed Indiana Testing Security and Integrity Agreements.

### **Anticipated Completion Date:**

Assess and understand documentation and reporting requirements for Indiana Testing Security and Integrity Agreements by June 30, 2018; implement program for tracking by September 1, 2018.

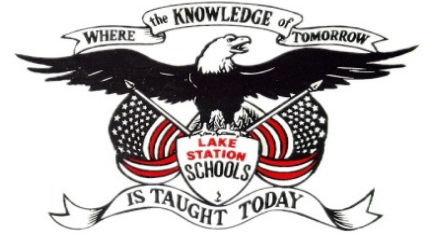
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Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools

April 12, 2018

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## **Corrective Action Plan**

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### **FINDING 2016-011**

Subject: Special Education Cluster - Level of Effort - Maintenance of Effort

Person Responsible for Corrective Action:

Eric Kurtz – 219-962-1159

### **Views of Responsible Official:**

Concerns raised with respect to maintenance of effort, Matching, Level of Effort, Earmarking compliance requirements for Special Education Cluster grants. Maintenance of effort, Matching, Level of Effort, Earmarking compliance is coordinated with and reported by the Northwest Indiana Special Education Cooperative (NISEC).

### **Description of Corrective Action Plan:**

Implement maintenance of effort, Matching, Level of Effort, Earmarking compliance and reporting requirements for Special Education Cluster grants in collaboration with NISEC.

### **Anticipated Completion Date:**

Understand and assess maintenance of effort, Matching, Level of Effort, Earmarking compliance and reporting requirements for Special Education Cluster grants by September 15, 2018, with implementation by October 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer  
Lake Station Community Schools  
April 12, 2018

LAKE STATION COMMUNITY SCHOOLS  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROLS STANDARDS***

The School Corporation did not provide internal control training to the Food Service cafeteria managers and cashiers. As a result, the certification uploaded into the Indiana Gateway for Government Units reporting system was incorrect.

Indiana Code 5-11-1-27(c) states:

"As used in this section, 'personnel' means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity."

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7."

LAKE STATION COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2018, with Karen Curtis, President of the School Board; Eric Kurtz, Chief Financial Officer/Treasurer; Thomas Crippliver, Superintendent of Schools; Gregory M. Keehn, School Board member; and Larry Biggs, School Board member.