

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
CROWN POINT COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA  
July 1, 2015 to June 30, 2017



**FILED**  
06/07/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/ Treasurer	Matthew D. Ruess	07-01-15 to 02-27-16
	Gene A. Williams	02-28-16 to 06-30-16
	Kathleen A. Dowling	07-01-16 to 06-30-18
Superintendent of Schools	Dr. Teresa A. Eineman	07-01-15 to 06-30-18
President of the School Board	Scott T. Angel	01-01-15 to 12-31-16
	David Warne	01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Crown Point Community School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments 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 Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

May 14, 2018

CROWN POINT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDING

***FINDING 2017-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Significant Deficiency

*Condition*

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting of the School Lunch and Prepaid Food funds. There was a lack of adequate segregation of duties as the School Corporation had not separated incompatible activities related to receipts and disbursements.

There were no controls to ensure that transfers of students' prepaid funds were properly recorded as receipts into the School Lunch fund and disbursements from the Prepaid Food fund as meals were charged to students' accounts. Meal sales paid from students' prepaid account balances were recorded in the Prepaid Food fund as negative receipts instead of disbursements.

*Context*

The lack of adequate internal controls was a systemic issue 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.

CROWN POINT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDING  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

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

*Cause*

Management of the School Corporation had not established a proper system of internal control over financial transactions and reporting of the School Lunch and Prepaid Food funds.

*Effect*

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

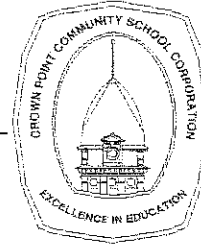
*Recommendation*

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of the School Lunch and Prepaid Food fund receipts and disbursements.

*Views of Responsible Officials*

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

# CROWN POINT COMMUNITY SCHOOL CORPORATION



200 E. North Street  
Crown Point, Indiana 46307  
Phone: (219) 663-3371  
Fax: (219) 662-4304

## BUSINESS OFFICE

Kathleen A. Dowling  
Chief Financial Officer  
kdowling@cps.k12.in.us

### CORRECTIVE ACTION PLAN

#### *FINDING 2017-001*

Contact Person Responsible for Corrective Action: Katy Dowling  
Contact Phone Number: 219-663-3371

We concur with the finding.

#### Description of Corrective Action Plan:

Since the inception of our pre-paid clearing account, we have had a process in place that moved an amount from the pre-paid fund to the school lunch program fund based on reconciliations that took place within the food service department, which were then verified by the business office. The process that we utilized was to post a negative receipt to the pre-paid fund and then a positive receipt into the school lunch program fund.

Based on the information that was provided to us during this audit, we have amended this process and our new process is as follows:

- Eliminate posting of a negative receipt to the pre-paid fund
- Post a claim to the pre-paid fund to properly show expenditures
- Post a receipt to the school lunch program fund after the claim from the pre-paid fund has been processed and a check has been generated.

Anticipated Completion Date:

Corrective action plan already in place prior to the exit conference.

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*Katy Dowling*

(Signature)

*Chief Financial Officer*

(Title)

*5-14-18*

(Date)

CROWN POINT COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***OVERDRAWN CASH BALANCES***

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Project Lead the Way fund with an overdrawn cash balance of \$5,330 at June 30, 2017.

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)

***COMPENSATION AND BENEFITS***

The Superintendent of School's contract and accompanying addendum did not include all compensation and benefits paid. In addition, due to the method used to defer annual pay increases, stipends, and other benefits, it was difficult for the School Corporation to ensure compliance with federal tax code regarding tax sheltered annuities.

Due to changes in the Indiana Code, teachers no longer receive automatic annual increments. The Superintendent of Schools' pay was increased by a percentage of the raises received by the teachers. The Superintendent of Schools was also given a stipend each year, which is not detailed in the contract or addendum.

The School Corporation matched the Superintendent of School's elective deferrals to a Section 403(b) at 2.5 percent of gross salary; but the addendum provided for a 1.25 percent match. In addition, based on the payroll records, the amount of employer and employee contributions to the Superintendent of School's 403(b) tax sheltered annuities exceeded the annual maximum under the Internal Revenue Code.

The current contract approved by the School Board on December 14, 2015, is for the period July 1, 2015 to June 30, 2020. The contract total salary was \$161,627. An addendum to the Superintendent of Schools' contract was approved August 27, 2007, for the period July 1, 2007 to June 30, 2012. The addendum was extended one year on December 31 of each year since June 30, 2012. However, the compensation paid to the Superintendent of Schools during the audit period was not based on the contract and the addendum.

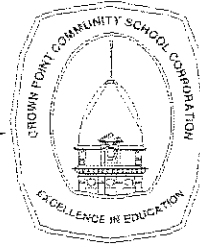
CROWN POINT COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Per the Superintendent of School's Contract Addendum Item 3 - Compensation:

The Board shall pay the Superintendent an annual base salary of \$135,382 effective July 1, 2007. Herein and hereafter, the Board shall annually increase the Superintendent's salary July 1 of each year with the next such increase to be July 1, 2008. The Superintendent's salary shall be increased by a percentage calculated by the addition of the percentage increase as a result of collective bargaining, and a percentage which is the average percentage increase in the salary of the School Corporation's teachers as a result of the increment received by the School Corporation's teachers as a result of an additional year of service to the School Corporation. The Superintendent may elect on an annual basis to contribute a portion of his/her salary to a 403(b) tax sheltered annuities and 401(a) deferred compensation subject to the Internal Revenue Code. In addition to the other compensation and benefits provided to the Superintendent pursuant to this contract, in each year of employment, the Board shall make additional contributions on behalf of the Superintendent to a retirement plan arrangement described in Section 401(a) of the Internal Revenue Code in the amount of eight percent (8%) of gross salary; as well as a Section 403(b) contribution of one and one-fourth of a percent (1.25%) of gross salary to be matched by the Superintendent's elective deferrals.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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May 23, 2018

State Board of Accounts  
302 W. Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

RE: Official Response

Dear Indiana State Board of Accounts:

Please allow this correspondence to serve as the official response from the Crown Point Community School Corporation to the audit results and comments for the audit period ending June 30, 2017.

### **Overdrawn Cash Balances**

The Project Lead the Way (PLTW) Grant Fund had an ending cash balance at June 30, 2017 of (\$5,330.00). This is an advance grant, however, the funds are distributed incrementally. In this instance, the total grant amount was approved by PLTW, but the funds were not all distributed at the time of the approval. When the grant was approved, the total award was inputted by staff. Going forward, we will only input the amount of the award actually received to avoid this matter in the future. For reference, the fund was made whole on August 2, 2017 when the next installment of the grant distribution was received.

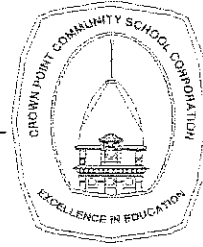
### **Compensation and Benefits**

The contract of the Superintendent has always been tied to the increases received by teachers. This practice has been followed based on what is detailed within the contract language.

Any outdated contract language of the 2006 original contract will be updated.

Crown Point Community School Corporation uses a third party administrator to manage all of our annuity accounts. This company does notify the school corporation and the staff member, if

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contributions are within 10% of the IRS maximum contribution level. No such notification was received. We have reviewed the total amount of annual contributions and believe that contributions never exceeded the IRS maximum contribution levels.

The contract addendum included language that stipulated that the Superintendent received a percentage increase that was equal to that of what teachers received. When increments were removed from the teacher contracts and replaced with stipends, the same change was made to the Superintendent's contract. The method of calculation has remained the same, as detailed in the contract.

The annuity match contributions have always been board-approved for all staff. As the contract language stipulates that the Superintendent shall receive increases similar to that of teachers, this increase in the annuity match amount applied in this instance as well.

Recurrent salary increases were calculated based on the contract language that states in part, "The Superintendent's salary shall be increased by a percentage calculated by the addition of the percentage increase as a result of collective bargaining." This is the calculation that was utilized for recurrent increases. The salary amount listed in the contract was the compensation at the time the contract addendum was approved.

Sincerely,

A handwritten signature in cursive script that reads "Katy Dowling".

Katy Dowling  
Chief Financial Officer

CROWN POINT COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Kathleen A. Dowling, Chief Financial Officer/Treasurer; Dr. Teresa A. Eineman, Superintendent of Schools; David Warne, President of the School Board; Scott T. Angel, Vice President of the School Board; and Brian Smith, School Board member.