

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE RIDGE SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
06/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Edward R. Sopko	07-01-15 to 06-30-18
Superintendent of Schools	Sharon Johnson-Shirley, Ed. D.	07-01-15 to 06-30-18
President of the School Board	Glenn Johnson	07-01-15 to 06-30-18



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

This report is supplemental to our audit report of the Lake Ridge Schools (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/.

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

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

June 4, 2018

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

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

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. One employee prepared the grant information for the federal awards without a system of oversight or review to detect and correct the errors before submission.

Context

Due to lack of controls, the following errors resulted in the understatement of the SEFA by \$2,785,297, as of June 30, 2017.

1. The School Improvement Grants was omitted, which understated the federal expenditures by \$789,709.
2. The Adult Education - Basic Grants to States expenditures were understated by \$26,700.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$1,022,270.
4. The Twenty-First Century Community Learning Centers expenditures were understated by \$104,889.
5. The English Language Acquisition State Grants expenditures were understated \$12,421.
6. The Supporting Effective Instruction State Grants expenditures were understated \$180,571.
7. The Head Start expenditures were understated \$648,737.
8. The National School Lunch Program's snack reimbursements were erroneously classified as Child and Adult Care Food Program expenditures for both school years.

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

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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

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

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

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

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that federal expenditures were properly reported on 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 2017-002

Subject: Financial Transactions
Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions. The School Corporation had not designed or implemented proper segregation of duties related to receipts. One employee issued and recorded receipts without evidence of an oversight or approval process to ensure the accuracy and classification of the receipts to the proper fund and account.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

This 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.

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

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

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions.

Views of Responsible Officials

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

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

Subject: School Breakfast Program and 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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Cash Management compliance requirement.

The School Corporation did not have documented controls in place to ensure that three month average expenditures were calculated for comparison to monthly cash balances and to verify that the comparison was performed.

The School Corporation did not comply with the cash management requirements that cash balances (net cash resources) be limited to three months average expenditures. The School Lunch fund monthly net cash resources exceeded three months average expenditures during the audit period. The School Corporation used the excess net cash resources during the 2016 school year for various kitchen renovations at two of its schools. From March 2017 to June 2017, the net cash resources exceeded the three months average expenditures. At June 30, 2017, the School Lunch fund net cash resources exceeded the three months average expenditures by approximately \$227,000.

On March 13, 2017, the School Board approved a memorandum that outlined general renovation plans for the school cafeterias from 2017-2020. However, the plan was not detailed in nature, nor was the plan submitted to the Indiana Department of Education for approval as required.

Context

The lack of controls and the noncompliance were systemic issues during the audit period. The School Lunch fund monthly net cash resources exceeded the 3 months average expenditures for 15 of the 24 months in 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 RIDGE 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). . . ."

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:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources 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 the Cash Management 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'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.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

Subject: School Breakfast Program and National School Lunch Program - Eligibility
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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 Eligibility compliance requirement.

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by the parents or guardians. However, the School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered into the software program were accurate.

The School Corporation also had not established effective controls to ensure that the approved criteria for determining the eligibility of children for free and reduced price meals had been publicly announced at the beginning of each school year. Sufficient appropriate audit evidence could not be obtained to verify that a public announcement at the beginning of each school year was made in accordance with 2 CFR 245.5.

Context

The lack of controls and failure to provide appropriate audit evidence were systemic issues during 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:

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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

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. . . ."

7 CFR 245.5(a) states in part:

". . . the local educational agency . . . shall publicly announce such criteria . . . at the beginning of each school year or, if notice of approval is given thereafter, within 10 days after the notice is received. The public announcement of such criteria, as a minimum, shall include the following:

- (1) . . . a letter or notice and application distributed on or about the beginning of each school year, to the parents of all children in attendance at school. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured that supporting documentation was maintained and made available for audit related to the Eligibility compliance requirement.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective controls to ensure that supporting documentation will be maintained for audit related to the Eligibility 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 RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-005

Subject: Child Nutrition Cluster - Equipment
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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property 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 equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with 2 CFR 200.313.

The School Corporation did not comply with the equipment requirements. A complete list of equipment acquired with federal awards was not maintained. The School Corporation contracted with a consulting firm to perform a physical inventory and compile a capital asset listing. A proper system of oversight or review was not documented by the School Corporation of the capital asset listing.

The equipment inventory was determined to be incomplete. The inventory did not identify equipment purchased with federal awards, serial numbers or other identification numbers, or disposal dates. In addition, the inventory omitted refrigerators and freezers located at each of the school cafeterias. Furthermore, the administration building housed a preschool and had a fully functioning kitchen with freezers, ovens, refrigerators, a dishwashing system, etc. However, no kitchen equipment for the administration building was detailed on the capital asset listing.

Context

The lack of controls and noncompliance were systemic issues 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:

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section.
. . .

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

- (1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment and Real Property Management compliance requirement.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-006

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-005.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Reporting compliance requirement.

The School Corporation had not established controls to ensure the accuracy of the School Food Authority (SFA) Verification Collection Report and monthly Sponsor Claims (claims for reimbursement). The contracted Food Service Director prepared and submitted these reports without a proper system of oversight or review by the School Corporation to ensure the accuracy of the reports. The review process did not detect errors in which the Sponsor Claims (claims for reimbursement) were not supported by the School Corporation's financial records. For the fiscal year 2017, \$3,079 of the Summer Food Service Program reimbursement received was reported as after school snack.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

In addition, the amounts claimed for reimbursement on two of the five monthly Sponsor Claims (claims for reimbursement) tested differed from the free and reduced counts from the School Corporation's point of sale software reports. The differences were due in part because the monthly Sponsor Claims (claims for reimbursement) were prepared based upon the school food service management company's software and not the point of sale software.

The School Corporation designed and implemented a review process over the Annual Financial Reports (AFR); however, the review was not effective. The review process did not detect errors in which the AFRs were not supported by the School Corporation's financial records. For the fiscal year 2016, the local sources reported did not agree to the School Lunch fund, which resulted in a \$42,243 underreporting of the cash balances as of June 30, 2016 and 2017.

Context

The lack of controls and the noncompliance over the AFR and the Sponsor Claims were systemic issues throughout the audit period. The net effect of the errors noted on the monthly Sponsor Claims (claim for reimbursement) was \$599 not claimed for reimbursement by the School Corporation. Additionally, the lack of controls over the School Food Authority (SFA) Verification Collection Report were systemic issues 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). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

LAKE RIDGE 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 Reporting 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's management establish controls to ensure compliance and comply with the Reporting 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 2017-007

Subject: School Breakfast Program and National School Lunch Program -
Special Tests and Provisions - Verification of Free and Reduced
Price Applications (NSLP) and National School Lunch Program -
Special Tests and Provisions - Paid Lunch Equity

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 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Verification of Free and
Reduced Price Applications (NSLP), Special Tests and
Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2015-006 and 2015-007.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The contracted Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review by the School Corporation.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program Only)

The contracted Food Service Director completed the paid lunch equity calculation without an oversight or review process documented by the School Corporation to ensure the accuracy of the calculation.

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). . . ."

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 compliance requirements listed above.

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. 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.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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.

FINDING 2017-008

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): S010A150014 #3893,
S010A150014 #3889,
15-4650, 16-4650,
17-4650

Compliance Requirements: Eligibility, Reporting, Special Tests
and Provisions - Comparability

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Eligibility. The prior audit finding number was 2015-011.

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 Eligibility, Reporting, Special Tests and Provisions - Comparability compliance requirements.

Eligibility

The School Corporation had not established procedures to ensure that the State of Indiana's pre-populated public and poverty enrollment figures reported on the Eligible Schools Summary page to the Title I application page were reflective of the School Corporation's records. An oversight or review process over the reported enrollment figures had not been established.

Reporting

The Title I Director and the Treasurer worked together to prepare the Annual Expenditure Report. An oversight or review process had not been established to ensure that the Annual Expenditure Report amounts were accurate prior to submission.

Special Tests and Provisions - Comparability

The Comparability Report was compiled and submitted by one individual without evidence of a proper system of oversight or review before submission.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Eligibility, Reporting, and Special Tests and Provisions - Comparability 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 compliance requirements. 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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Eligibility, Reporting, and Special Tests and Provisions - Comparability 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 RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-009

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 Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or other Identifying Numbers): S010A150014 #3893,
S010A150014 #3889,
15-4650, 16-4650,
17-4650

Pass-Through Entity: Indiana Department of Education

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

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. There were no 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, which necessitated 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. Of the 26 students tested, 11 did not have the required supporting documentation to substantiate removal from the cohort for mobility reasons.

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

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . .

(2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

(C) A dropout may not be counted as a transfer. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with 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 material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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 2017-010

Subject: School Improvement Grants - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: School Improvement Grants

CFDA Number: 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have effective internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320. The School Corporation also did not have effective internal controls in place to ensure that the suspension and debarment requirements of 2 CFR 180.300 were met.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not obtain price or rate quotes for purchases of goods or services exceeding \$3,500 from an adequate number of sources, which fell under the small purchase procedures. Nor did the School Corporation document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

The School Corporation did not retain documentation for the suspension and debarment requirement; therefore, it could not be determined if the School Corporation complied with the requirements. The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of effective controls, noncompliance, and failure to provide appropriate audit evidence were systemic issues throughout the audit period. Approximately 41 percent of the total grant fund disbursements were Uniform Guidance vendor procurements. The suspension and debarment documentation was not retained or provided for 2 vendors totaling 7 percent of grant expenditures.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

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.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

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

You do this by:

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation. Additionally, the failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the suspension and debarment requirements.

Questioned Costs

There were no questioned costs identified.

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement. Additionally, we recommended that the School Corporation's management establish controls to ensure that documentation was maintained and made available for audit relating to the suspension and debarment requirements.

Views of Responsible Officials

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

FINDING 2017-011

Subject: School Improvement Grants - Reporting

Federal Agency: Department of Education

Federal Program: School Improvement Grants

CFDA Number: 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016,
FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

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 Reporting compliance requirement.

Three final reports were submitted during the audit period. Each final report was completed by the Director and given to the Treasurer for review. The final reports were located in the Treasurer's grant files; however, there was no evidence that the final reports were reviewed before submission.

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:

LAKE RIDGE SCHOOLS
FEDERAL FINDINGS
(Continued)

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

Cause

The School Corporation's management had not implemented a system of internal controls to ensure compliance with the grant agreement and the Reporting 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 segregation of duties within an 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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2017-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Edward Sopko
Contact Phone Number: 219/838-1819

Views of Responsible Official: As the finding refers to one section of 8 sections of the AFR, the preparation of financial reports and SEFA will continue to be evaluated, the report and additional supporting documentation will be provided to allow for review for accuracy and to ensure that review is adequate and in place prior to submission.

Description of Corrective Action Plan: Internal controls have been enhanced to give reasonable assurance that financial statements are prepared with adequate oversight, however, this process will continue to be evaluated and improved prior to entry into the Gateway site. The Treasurer will prepare the AFR and will provide to the CFO the supporting reports to justify the AFR amounts, a list of federal funds will be used to compare the funds that have been hand entered onto the Gateway web site to ensure that all funds have been captured, the AFR funds will be compared to the annual Form 9 to evaluate the funds on both reports. The AFR that was cited as incorrect will be immediately corrected and submitted via Gateway to ensure that there is no gap in reporting funds.

Anticipated Completion Date: July 2018

(Signature)

TREASURER

(Title)

4/4/2018

(Date)

Superintendent
Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent
Janet Flores

Business Manager
Laura Hubinger

Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Edward Sopko
Contact Phone Number: 219/838-1918

Views of Responsible Official: Segregation of duties has been established, internal controls has been established, based on the recommendation of the current audit team

Description of Corrective Action Plan: We have already added an additional reporting step by way of the deputy treasurer will produce a daily report when receipts are processed in the financial system, and will be reviewed and initialed by the CFO.

Anticipated Completion Date: April 2018

(Signature)

Treasurer

(Title)

5/31/2018

(Date)

Superintendent
Sharon Johnson-Shirley, Ed.D.
Assistant Superintendent
Janet Flores
Business Manager
Laura Hubinger
Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Toni Rattray
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the district respectfully disagrees with the statement of not having documentation on the average expenditures, since that was outlined as a need by previous audit but was not clearly defined that they desired a monthly report, the district did produce the rendering of what was submitted to the board.

Description of Corrective Action Plan: Monthly cash reports are given to the Board of Trustees; the expenditure analysis was presented for annual review. This will now be submitted monthly for board review, annually we will submit to the Department of Education School Nutrition Division the board's expenditure plans for approval. The expenditure plan will be prepared by the Food Service Director, presented to the board, and then sent to the DOE. The Treasurer will prepare the monthly expense report, reviewed by the Director of Food Service, quarterly meet with the CFO, present it to the board monthly and will keep on file with the monthly board reports.

Anticipated Completion Date: July 2018

Handwritten signature of Toni Rattray over a horizontal line, with '(Signature)' printed below.

Handwritten title 'Food Service' over a horizontal line, with '(Title)' printed below.

Handwritten date '5/31/18' over a horizontal line, with '(Date)' printed below.

- Superintendent Sharon Johnson-Shirley, Ed.D.
Assistant Superintendent Janet Flores
Business Manager Laura Hubinger
Board of School Trustees Mr. Kenneth Buckley, Mr. Jonathan Evans, Mr. Glenn Johnson, Ms. Kim Osteen, Mr. Dan Diehl





Office of the
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Toni Rattray
Contact Phone Number: 219/838-1819

Views of Responsible Official: The district informs the parents at the district wide registration assembly, however it is now clearer that we must post this information in additional places.

Description of Corrective Action Plan: Annually, the Food Service Director will review the eligibility criteria that will be available from the Department of Education Division of Nutrition the proper public announcement, share with the CFO to get approval to place on the district's web site and each school building web site. Additionally, the Food Service Director will obtain the criterion for the federal income guidelines, will review with the CFO, and provide district data analyst the information. The district data analyst will enter into the administrative student software (which is protected by end user security), thus printing the screen that reflects the guidelines, and will require the Food Service Director's initials and date and subsequently the CFO's initials and date to ensure that proper data entry was performed.

Anticipated Completion Date: July-August of 2018

Toni Rattray
(Signature)

Food Service
(Title)

5/31/19
(Date)

Superintendent
Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent
Janet Flores

Business Manager
Laura Hubinger

Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Toni Rattray
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the district employs a third party provider, the district concurs that additional inventory steps will be prepared.

Description of Corrective Action Plan: The food service division will inventory all equipment that is currently on hand, and will place values and will submit to the third party vendor to add to their inventory list and will incorporate the tagging numbering system at their recommendation. As equipment is added, it will be added to the full food service inventory with a number and tag, and will be produced to the third party vendor to review and add to the total district inventory list. Subsequently, as equipment fails or is removed, board approval is obtained for loss of usefulness and disposal, that will be logged into the food service inventory list and will be provided to the third party vendor to adjust and justify on the district's inventory list. Inventory lists are maintained in the district/school buildings and the third party vendor is contracted to do a physical inventory to check the current inventory list, and maintenance the list based on changes and thus verified. We will be continuing to enhance this reporting and record keeping function.

Anticipated Completion Date: Implementation Begins August of 2018 and will be maintained on an ongoing basis and should be fully functional by the end of the 2018-2019 school year.

Handwritten signature of Toni Rattray
(Signature)

Handwritten title: Food Service
(Title)

Handwritten date: 5/31/18
(Date)

Sharon Johnson-Shirley, Ed.D. Superintendent

Assistant Superintendent Janet Flores

Business Manager Laura Hubinger

Board of School Trustees Mr. Kenneth Buckley Mr. Jonathan Evans Mr. Glenn Johnson Ms. Kim Osteen Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-006 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Toni Rattray
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the proper functions were performed, however, the district agrees that additional supporting documentation that reflects ample number of verified signatures to be placed on additional reports.

Description of Corrective Action Plan: The Point of Sale system produces monthly the state claim documentation for lunch, breakfast, snacks, fruits and vegetables for the monthly reimbursement request. The Food Service Director enters onto the DOE web site the records for reimbursement for each category, the Food Service Director will print the screen, have her assistant verify the number to ensure that were data entered correctly and will initial the printed screen and the supporting reimbursement report from the POS system. The Food Service Director will submit, and then monthly the Food Service Director will meet with the Treasurer to review the POS, and the printed verified screen, and the state reimbursement report to ensure that all requests and the internal control process was handled properly. Finally, the Treasurer will compare each month's requests to the amounts that will be entered for the AFR will be verified and the reports will be produced to the CFO annually for review to ensure that the funds are property reported and placed in the proper reporting categories.

Anticipated Completion Date: June 2018

Handwritten signatures and dates for Superintendent Sharon Johnson-Shirley, Ed.D., Assistant Superintendent Janet Flores, and Business Manager Laura Hubinger. Includes Board of School Trustees members: Mr. Kenneth Buckley, Mr. Jonathan Evans, Mr. Glenn Johnson, Ms. Kim Osteen, Mr. Dan Diehl.





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-007 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Toni Rattray
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the district performed the duties as outlined in the corrective action plan, the district concludes that additional reports and verified signatures will be performed.

Description of Corrective Action Plan: Lunch applications are entered by parents during registration and is contained in the student management software system. Nightly the software creates a file that is automatically updated to the point of sale system that indicates the student's meal status based on criteria entered and compared to the eligibility control. The Food Service Assistant Director will review each application for completion. The Food Service Director will utilize the student management software to produce a required random selection of students that has been indicated at Free or Reduced. A letter requesting documentation to verify eligibility, giving the parent 10 days to respond. Those parents that produce the proper documentation will be kept on file to ensure that the food status is correct, the assistant director will also initial the document reflecting the proof and food status. In the event that the documentation is not received or does not support the food status initially reflected, the change in food status will be done on the student management software, printed and documented, and additional signatures will be obtained from the assistant director. A letter will be submitted to the parents of the status change, the letter will be obtained as supporting documentation, and notification will also be present and available to each school building. The paid student equity tool that is produced by the DOE, is annually reviewed and the food service director will complete the tool, print the screen, review with the CFO. The CFO will initial that will give the food service director authority to submit for approval, upon receipt of the approval from the DOE, the director will send a memo to the CFO to submit to the Board of Directors for annual lunch rate approvals.

Anticipated Completion Date: August 2018

Signature: Toni Rattray
Title: Superintendent
Signature: Janet Flores
Title: Assistant Superintendent
Date: 5/31/18
Title: Business Manager
List of Board of School Trustees: Mr. Kenneth Buckley, Mr. Jonathan Evans, Mr. Glenn Johnson, Ms. Kim Osteen, Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-008 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathleen Martin
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the fields are prepopulated from the DOE obtained from verified data submitted by the district, the district will concur and add additional reports and verified signatures indicating that the state's prepopulated fields are in fact correct.

Description of Corrective Action Plan: Although the data analyst in technology submits the proper reports annually to the DOE and the fields are populated by the DOE after the student data is verified and finalized the Title I Director will obtain copies of the ADM report that has been signed off on and the October TBR report that was signed off on. The Director will verify that the numbers on the reports to match the ESS page and print screen that page. The Director will initial each report and the printed ESS page and have the Treasurer also initial, and keep the records with the ensuing year's budget. Annually for the Title I grant that concludes there is a required Annual Expenditure Report. The Title I Director will print that expenditure report from the Title I application center, review with the Treasurer to ensure that the expenses match the expense report that is generated from the financial system. If all is accurate, both the Title I Director and Treasurer will sign and date each report prior to submission. These documents will be kept in the closing Title I grant folder for future reference.

Anticipated Completion Date: June 2018

Kathleen Martin (Signature)

Superintendent Sharon Johnson-Shirley, Ed.D.

Title I/EL Director (Title)

Assistant Superintendent Janet Flores

Business Manager Laura Hubinger

5-31-18 (Date)

Board of School Trustees Mr. Kenneth Buckley Mr. Jonathan Evans Mr. Glenn Johnson Ms. Kim Osteen Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-009 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathleen Martin
Contact Phone Number: 219/838-1819

Views of Responsible Official: Reasons and STN site support why students withdraw from the cohort, but the district concludes that additional written documentation will be available in each withdrawn student's file.

Description of Corrective Action Plan: It was reported that documentation was not available to support a reason a student withdrew from the cohort class, this process will continue to be improved. Currently the registrar will print the STN student enrollment status page and will make every effort to contact the school that the student enrolls in, or the parents for a letter stating emigration, or deceased. If at any point that the documents are not provided, the registrar will document the efforts to collect the supporting documentation. This memorandum will be signed by the registrar and by the school building principal and placed into the student's file to substantiate the mobility reason that has been assumed.

Anticipated Completion Date: August 2018

Kathleen A. Martin
(Signature)

Title I/EL Director
(Title)

5-31-18
(Date)

Superintendent Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent Janet Flores

Business Manager Laura Hubinger

Board of School Trustees Mr. Kenneth Buckley Mr. Jonathan Evans Mr. Glenn Johnson Ms. Kim Osteen Mr. Dan Diehl





Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-010 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathleen Martin
Contact Phone Number: 219/838-1819

Views of Responsible Official: Quotes had been obtained but concurs that the documentation will be kept in the files and with the business office claim forms as proof of quotes for small purchases of \$3,500 and over policy.

Description of Corrective Action Plan: The district will continue to keep better documentation of such quotes, to ensure that pricing and services were analyzed. Additionally, the rationale for selection of purchases will be prepared and submitted to the business office prior to purchase approval. In addition, the district will print screens from the sam's web site to provide evidence that vendors that are utilized in the district do not appear on the disbarment and suspension federal listing. The certification that the step was completed will reflect the grant administrator's initials and the deputy treasurers' initials.

Anticipated Completion Date: June 2018

Kathleen G. Martin
(Signature)

Title I/II Director
(Title)

5-31-18
(Date)

Superintendent
Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent
Janet Flores

Business Manager
Laura Hubinger

Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl





CORRECTIVE ACTION PLAN

Office of the Superintendent

FINDING 2017-011 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kathleen Martin
Contact Phone Number: 219/838-1819

Views of Responsible Official: Although the process was done successfully each year the district concurs that additional reports and verifying signatures will be implemented prior to final report submissions.

Description of Corrective Action Plan: The Director for School Improvement Grants will have the Assistant Superintendent and/or Treasurer review with supporting documentation prior to the submission of the final reports and the data that is entered. This proof will be kept in the subsequent grant folder that a review was completed prior to submission, and once submitted the Director and Treasurer will review and initial the final report.

Anticipated Completion Date: The next final report is due in October 2018.

Kathleen A. Martin
(Signature)

Title / EZ Director
(Title)

5-31-18
(Date)

Superintendent
Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent
Janet Flores

Business Manager
Laura Hubinger

Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl



LAKE RIDGE SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2016 and 2017:

Fund	Amount Overdrawn As of June 30,	
	2016	2017
Exempt Pension Debt	\$ -	\$ 169,470
Capital Projects	-	42,112
Payroll	82,574	83,778

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)



Office of the Superintendent

June 5, 2018

Paul Joyce, State Examiner
Indiana State Board of Accounts
302 W. Washington St., Room 418
Indianapolis, IN 46204-2765

RE: "OFFICIAL RESPONSE"


Dear Mr. Joyce,

The school district Lake Ridge Schools responds to the audit comment explaining the note of overdrawn cash balances reported on the attached. As you know property tax distributions are received twice per year, June and December. The negative cash balance for the pension fund reflects the timing for the December property tax distribution. At the conclusion of 2017, after the distribution was received, the fund was settled from non-collected property tax. The fund then reflected a zero balance. The capital fund reflects not an over expenditure, but the proper non-collected property tax and will be balanced to zero in 2019 when the fund will be supported by the operation fund. Currently, it is the position of the district to see the total accumulation of this shortage and intends to have the current general funds available to transfer if needed.

Finally, the payroll obligations are to pay employee benefits and thus are collected when the employee's deductions are collected. While the district does not intend to have the employer portion run through this fund, it understands that in some cases the employer must cover these benefits and will do so on behalf of the employee.

Thank you for the opportunity to respond to this request.

Sincerely,


Laura Hubinger, CFO
Lake Ridge Schools

Superintendent
Sharon Johnson-Shirley, Ed.D.

Assistant Superintendent
Janet Flores

Business Manager
Laura Hubinger

Board of School Trustees
Mr. Kenneth Buckley
Mr. Jonathan Evans
Mr. Glenn Johnson
Ms. Kim Osteen
Mr. Dan Diehl



LAKE RIDGE SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 4, 2018, with Edward R. Sopko, Treasurer; Sharon Johnson-Shirley, Ed. D., Superintendent of Schools; Glenn Johnson, President of the School Board; Laura Hubinger, Business Manager; Chris Akers, Deputy Treasurer; Adrian Wilkerson, Payroll Specialist/Benefits; Janet Flores, Assistant Superintendent of Schools; Kathy Martin, Title I/EL Director; and Toni Rattray, Food Service Director.