

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER

PORTER COUNTY, INDIANA

July 1, 2014 to June 30, 2017



**FILED**  
07/24/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Internal Controls .....	4
Annual Financial Report .....	4
Public Records Retention .....	4
Official Response .....	5
Exit Conference.....	6

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David Pruis	07-01-14 to 06-30-15
	Mary Naglich	07-01-15 to 04-27-16
	Julie Remschneider (interim)	04-28-16 to 08-09-16
	Kathleen Smith	08-10-16 to 06-30-18
Executive Director	Edward Schoenfelt	07-01-14 to 06-08-16
	Bill Gall (interim)	06-09-16 to 08-09-16
	Julie Remschneider	08-10-16 to 06-30-18
Chairman of the Board of Directors	Thomas Cripliver	07-01-14 to 06-30-15
	Thomas Corey	07-01-15 to 03-09-16
	Eric Kurtz	03-10-16 to 06-06-18
	Peggy Buffington (co-chair)	06-07-18 to 12-31-18
	Stacey Schmidt (co-chair)	06-07-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHWEST INDIANA EDUCATIONAL  
SERVICE CENTER, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Northwest Indiana Educational Service Center (Service Center), for the period from July 1, 2014 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Service Center. It should be read in conjunction with our Financial Statements Audit Report of the Service Center, which provides our opinions on the Service Center's financial statements. This report may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

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

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

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

June 28, 2018

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The Service Center failed to properly implement and consistently document oversight of the receipt process. Receipts were prepared and entered into the financial software by the Treasurer. The Treasurer also prepared the deposit slip and took the money to the bank. The Director was to review and initial the deposit slip and receipt report; however, this review was not consistently documented.

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. . . ."

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report due August 29, 2016, was filed on August 7, 2017, which was 338 days late.

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

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

**PUBLIC RECORDS RETENTION**

The Service Center failed to retain all attendance/time records for employees during the audit period. Of the 7 payroll checks tested, 4 or 57 percent did not have proper attendance/time records to support amounts paid.

Indiana Code 5-15-6-3 states:

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

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



Northwest Indiana Education Service Center  
48 W 900 N, Chesterton, IN

46304

Phone: 219-926-5555

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*NWIESC serves*

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**Public Schools:**

Duneland School Corporation  
Gary Community School Corp.  
Hanover Community Schools  
Kankakee Valley Schools  
Lake Ridge School  
Lake Station Schools  
MSD of Boone Township  
North Newton Schools  
NISEC  
PCEC  
Porter Township,  
River Forest,  
School City of East Chicago  
School City of Hobart  
School City of Whiting  
Union Township,

**Private Schools:**

Bishop Noll Institute  
Indiana Horizon Academy  
Our Lady of Grace  
St. Stanislaus

**Charter Schools:**

Ambassador Academy  
21<sup>st</sup> Century Charter  
Charter School of the Dunes  
Discovery Charter School  
East Chicago Lighthouse Academy  
East Chicago Urban Enterprise  
Academy, Hammond Academy  
of Science & Technology, Gary  
Lighthouse Lower Academy,  
Neighbors' New Vista  
Alternative High School, Thea  
Bowman Leadership Academy,

**Associate Members:**

Little Lamb Preschool  
Challenger Center  
Lake County Public Library  
Valparaiso Family YMCA  
Westchester Public Library

June 28, 2018

To Whom It May Concern,

The NWIESC offers an official response to the results and comments from the July 1, 2014 to June 30, 2017 audit.

**Internal Controls** The Internal Control policy for preparing and signing receipts was enacted after Internal Control training occurred. Deposits created by the Treasurer are then reviewed and signed by the Executive Director. These practices began subsequent to this audit period.

**Annual Financial Report** The Annual Financial Report due August 31, 2016 was filed on August 7, 2017. In August of 2016 an inquiry was made by the Treasurer regarding the requirements for Service Centers to complete Annual Financial Reports. The information received in August of 2016 indicated that ESCs do not file this report. Unfortunately, the information was shared via phone conversation and there is no written record. The Treasurer inquired about this required report on August 2, 2017. A response was received via email and the report was filed five days later.

**Public Records Retention** The attendance/time records for all employees were kept in a file separate from payroll documents and when a transition occurred from one Treasurer to another, the drawer was emptied as it appeared to be copies filed in a separate location. Subsequent to this audit all attendance/time calendars are filed with payroll paperwork and are retained as prescribed in the Public Records Retention Schedule.

Sincerely,

Julie A. Remschneider  
Executive Director  
jremschneider@nwiesc.k12.in.us

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER  
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2018, with Kathleen Smith, Treasurer; Julie Remschneider, Executive Director; Peggy Buffington, Co-Chairman of the Board of Directors; Lynn Kwilasz, Board of Directors member; and Ted Zembala, Board of Directors member.