

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
03/29/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Internal Controls over Financial Transactions and Reporting.....	4-5
Finding 2018-002	
Child Nutrition Cluster - Program Income and Reporting	5-7
Finding 2018-003	
Child Nutrition Cluster - Procurement and Suspension and Debarment	7-9
Finding 2018-004	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security	9-10
Finding 2018-005	
Special Education Cluster (IDEA) - Earmarking, Reporting.....	11-13
Finding 2018-006	
Special Education Cluster (IDEA) - Suspension and Debarment.....	13-14
Corrective Action Plan.....	15-20
Audit Result and Comment:	
Overdrawn Cash Balances	21
Exit Conference.....	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathie Romba	07-01-16 to 12-31-19
Director of Business Services	Robert James	07-01-16 to 12-31-19
Superintendent of Schools	Dr. Lawrence Veracco	07-01-16 to 06-30-19
President of the School Board	John DeVries Janice Malchow Don Bacso	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Lake Central School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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

March 4, 2019

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting of receipts.

The School Corporation had not designed or implemented proper segregation of duties related to receipts. One employee issued and recorded receipts, deposited the collections, and reconciled the receipts to the depository accounts without evidence of an oversight, review, or approval process.

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 properly implement controls could have enabled material misstatements or irregularities to remain undetected.

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Program Income and Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Program Income, Reporting
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 Program Income and Reporting compliance requirements.

Monthly sales, as well as receipts for prepaid meals not yet provided, were recorded in the School Lunch fund. Monthly adjusting entries were then recorded between the School Lunch fund and the Prepaid Meals Fund to reconcile the Prepaid Meals Fund to the detail of the student prepaid accounts. The adjusting entries were not supported by adequate documentation. As a result, the program income recorded did not accurately reflect the total income for meals actually served.

The Annual Financial Reports were prepared by the Food Service Department based on their accounting records. However, as a result of the adjusting entries made to the School Corporation's records, the Annual Financial Reports did not agree with, or accurately reflect, the financial position of the School Lunch fund.

Context

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance with the reporting requirements was isolated to the Annual Financial Reports.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

LAKE CENTRAL SCHOOL CORPORATION
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). . . ."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable;"

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

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.

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

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

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Program Income and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income and Reporting compliance requirements could have resulted in a 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 an effective system of internal controls to ensure compliance with the grant agreement and the Program Income and Reporting 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 2018-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
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.

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not obtain price and rate quotes from an adequate number of sources for the purchase of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used. The noncompliance with procurement requirements was applicable to three of ten vendors selected for testing.

The School Corporation did not verify that one vendor was not suspended or debarred from participation in federal programs. The School Corporation failed to ensure that a search of the vendor within the System for Award Management database was conducted, that a certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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 states in part:

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

(i) 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. . . ."

(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. . . ."

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-004

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-4615, 17-4615, 18-4615

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not properly implemented at the School Corporation in order to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation had not properly implemented a system of internal controls to ensure that all individuals who came in contact with tests administered under the Indiana Assessment System had completed the applicable training. Officials stated that they used checklists at each school to document that all applicable individuals completed the training; however, seven of ten school checklists were not retained for audit.

Context

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

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). . . ."

Cause

The School Corporation's management had not properly implemented a system of internal controls to document that all applicable employees completed the training.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management implement an effective control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Special Education Cluster (IDEA) - Earmarking, Reporting
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-062-PN01, 14217-062-PN01,
45716-062-PN01, 45717-062-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the earmarking and reporting requirements.

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the earmarking and reporting requirements.

Earmarking

The School Corporation did not have effective system of internal controls in place to ensure that the School Corporation expends at least an amount that was the same proportion of the total subgrant as the number of nonpublic schools within its boundaries, was to the total of students with disabilities of the same age range.

A spreadsheet was maintained to track the required amount of expenditures for the nonpublic schools. The spreadsheet contained a formula error which resulted in expenditures of \$20,577 less than the requisite amount to meet the earmarking requirements. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the calculations made by the Cooperative.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Quarterly Summary for Proportionate Share Reports and the Final Financial Reports were completed accurately.

The Quarterly Summary for Proportionate Share Reports submitted to the IDOE were not accurate. There was a formula error for the calculation of the total benefits on the proportionate share tracking spreadsheets, which were used to create the quarterly reports. The expenditures were overstated by \$24,441. The Final Financial Report was also incorrect in the non-public proportionate share line item, as noted with the Quarterly Summary for Proportionate Share reports. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the reports prior to submission by the Cooperative.

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance was isolated to the 2016-2017 school year. The lack of controls over reporting of the Final Financial Report was a systemic issue throughout the audit period.

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

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the earmarking and reporting requirements.

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting 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 2018-006

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-062-PN01, 18611-062-PN01,
45717-062-PN01, 18619-062-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a Special Education Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

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 Cooperative failed to verify that a search of the vendor within the System for Award Management database was conducted, that a certification from the entity was collected, or that a clause or condition was added to the contract. There was no evidence of an oversight, review, or approval process by the School Corporation to ensure the Cooperative's compliance with the suspension and debarment requirements.

Context

The lack of effective controls and noncompliance were isolated to the 2017-2018 school year.

LAKE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 180.300 states:

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

You do this by:

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

Lake Central School Corporation

8260 Wicker Avenue
Tel: (219) 365-8507

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website: *lcsc.us*



Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that the school corporation was making monthly adjustments to the School Lunch and Prepaid Meals Trust Funds during the audit period. These adjustments were made so the Prepaid Meals Trust Fund balance would equal the detail of each individual account.

Description of Corrective Action Plan:

During the audit period, the school district would make a monthly posting adjustment to reconcile the Prepaid Meals Trust Fund. By posting these adjustments, the revenue and expenditures shown in our ledger became overstated. After discussing this process with the auditors, we agreed that we should no longer post these adjustments into our ledger. Rather, the differences between the Prepaid Meals Trust Fund balance and the total of each individual account will be reconciled outside of the ledger. Reconciliation items that need to be posted to the ledger (NSF checks, voids, etc) will be done in a timely manner with supporting documentation for each entry.

Anticipated Completion Date: During the 2019-2020 school year.



(Signature)

Director of Business Services
(Title)

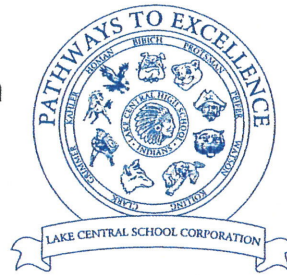
3-4-19
(Date)

Lake Central School Corporation

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Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that the school corporation did not obtain multiple quotes for every item purchased in excess of the \$3,500 during the audit period. We also concur that of all of the vendors who qualified for the suspension and debarment provision, there was one vendor that we failed to verify through the System of Award Manager Center. Please note that this particular vendor was not suspended or debarred by the federal government. We just failed to conduct the verification.

Description of Corrective Action Plan:

The Food Service Department did obtain quotes for items they purchased through School Lunch Funds. The department also verified their vendors were not on the suspended or debarred list. The school district failed to conduct these procedures for items that were initiated at the corporation level or through a different department (i.e. Facilities and Maintenance Department). The Director of Business Services will make sure that contracts or agreements entered into with vendors at the corporation level will be verified through the System of Award Manger Center. The threshold for obtaining three quotes has now increased to \$10,000. We will first review historic expenditures that exceeded this threshold to identify areas where we need to obtain three quotes. We will discuss this requirement with our Director of Facilities to ensure quotes are obtained for items purchased through that department related to Food Service.

Anticipated Completion Date: We will identify the items that we historically failed to get quotes for during the rest of the 2018-2019 school year. Full implementation of this corrective action will begin with expenditures and contracts for the 2019-2010 school year.



(Signature)

Director of Business Services
(Title)

3-4-19
(Date)

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Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: Although we did provide the certification forms documenting each person who was properly trained, we concur that the not all of our schools retained the checklists they internally used to ensure that all the required people were trained.

Description of Corrective Action Plan:

There is no written requirement that states that the checklist sheets needed to be retained for audit. However, without all ten school checklists available for audit, the school district was unable to prove that proper controls were in place. The school corporation has already talked to the building principals about this issue and the need for them to retain the checklists they use to verify all required individuals have been trained. This will be immediately implemented with the required training for the 2018-2019 school year testing.

Anticipated Completion Date: Already correct for the 2018-2019 school year.



(Signature)

Director of Business Services
(Title)

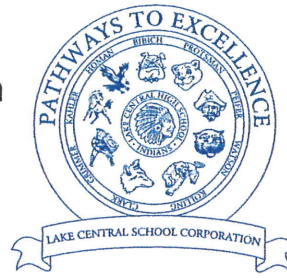
3-4-19
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Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur that there was a formula error on the spreadsheet we used to track the proportionate share expenditures for the FY2016 Special Education Grant. We also concur that there was not an oversight in place to review the calculations before the reports were submitted to the Indiana Department of Education.

Description of Corrective Action Plan:

This formula error was discovered and immediately corrected in November 2016 with the start of the FY 2017 Special Education Grant. The Director of Business Services will begin to share the quarterly proportionate share calculations with the Director of Special Education before submitting each report. By monitoring the expenditures each quarterly, we will work ensure that the proper amount of expenditures are spent on nonpublic schools.

Anticipated Completion Date: Already corrected during the 2018-2019 school year.



(Signature)

Director of Business Services
(Title)

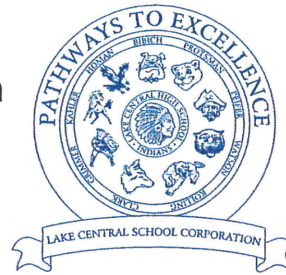
3-4-19
(Date)

Lake Central School Corporation

8260 Wicker Avenue
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Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Special Education grant mainly pays for the salaries and benefits of our own employees. In recent years, we have had to hire outside contractors to fill the need of our students needing speech and hearing pathology services. Some of these contracts have exceeded the \$25,000 suspension and debarment threshold. The Director of Special Education will give a listing of our outside contractors to the Director of Business Services at the beginning of the school year and any time an additional contractor is needed. The Director of Business Services will look up each of these contractors on the System of Award Manager Center.

Anticipated Completion Date: Implemented at the beginning of the 2019-2020 school year.



(Signature)

Director of Business Services
(Title)

3-4-19
(Date)

LAKE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2019, with Don Bacso, President of the School Board; Dr. Lawrence Veracco, Superintendent of Schools; Cathie Romba, Treasurer; and Robert James, Director of Business Services.