

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

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



**FILED**  
05/28/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jayne L. Grillo	07-01-16 to 06-30-19
Chief Financial Officer	M. Gregory Hunt	07-01-16 to 06-30-19
Superintendent of Schools	Mark D. Francesconi	07-01-16 to 06-30-19
President of the School Board	Mitch Feikes Mark Kosior Jan Ribordy Shannon Hannon	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAPORTE COMMUNITY SCHOOL  
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the LaPorte Community 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/](http://www.in.gov/sboa/).

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

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

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

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

April 16, 2019

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2016-001 from the immediately prior audit report.

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Cash and Investments:** Due to the implementation of new financial software and issues with transferring data from the old software, only one month's reconciliation of the fund balance to the payroll bank account was presented for all 24 months of the audit period. No reconciliations of the fund balances to the corporate bank account or investment bank account were presented for the audit period. The School Corporation's payroll bank account had not been reconciled since April 2018. The corporate and investment bank accounts had not been reconciled since March 2016. In total, the bank balances exceeded the School Corporation's record balance by \$1,327,333 as of June 30, 2017, and fell short by \$41,267 as of June 30, 2018.
2. **Financial Reporting:** Due to differences between the new and old financial software applications and misguidance from the software provider, receipts, disbursements, and journal entries were posted incorrectly throughout the audit period. The School Corporation submitted incorrect financial information into the Indiana Department of Education Form 9 financial reports, which was the source of the financial statement. There were no controls in place to prevent, or detect and correct, material misstatements in a timely manner. Additionally, management of the School Corporation had not established a review process for the financial statement after compilation.
3. **Receipts, Disbursements, and Journal Entries:** The new financial software system allowed users to date transactions in the past and issue transaction numbers more than once. During the audit period, the system created multiple receipts with the same receipt number.
4. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to journal entries. One employee prepared journal entries without any oversight, review, or approval process to detect and correct errors.
5. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The Form 9s and financial statement did not properly reflect the School Corporation's financial activity. The Payroll Clearing fund receipts were overstated by \$15,609,788 and \$28,210,838; and disbursements were overstated by \$17,494,411 and \$30,859,930 for the years ended June 30, 2017 and 2018, respectively.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

*Criteria*

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

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

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

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

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

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

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the School Corporation had not established a proper system of internal controls. Additionally, management had not conducted risk assessment procedures related to the School Corporation's financial transactions and reporting.

*Effect*

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls to ensure accurate financial transactions and reporting.

*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: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2016-002 from the immediately prior audit report.

*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).

Due to differences between the new and old financial software applications and misguidance from the software provider, receipts, disbursements, and journal entries were posted incorrectly throughout the audit period. The School Corporation submitted incorrect financial information into the Indiana Gateway for Government Unit's financial reporting system, which was the source for the SEFA. There were no controls to prevent, or detect and correct, material misstatements in a timely manner. Additionally, management of the School Corporation had not established a review process for the SEFA after compilation.

*Context*

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
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. . . ."

*Cause*

Management of the School Corporation had not established a system of internal controls to ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the preparation of 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 2018-003**

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat of Finding 2016-004 from the immediately prior audit report.

*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. The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained.

A complete list of equipment acquired with federal awards was not maintained. The School Corporation contracted with a consulting firm to compile a capital asset listing derived from the inventory information. There was not a proper system of oversight, review, or approval of the capital asset listing by the School Corporation.

The capital asset listing omitted several pieces of equipment that should have been included. Additionally, items included in the listing did not identify equipment purchased with federal awards, serial numbers or other identification numbers, the source of funding for the property, and percentage of federal participation.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. Six out of seven or 85 percent of the equipment items tested were not included in the capital asset listing.

*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 200.313(d) states in part:

*"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. . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the equipment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the equipment 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 a system of internal controls to ensure compliance and comply with the grant agreement and the equipment requirements.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: School Breakfast Program, National School Lunch Program - Program Income  
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 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2016-005 from the immediately prior audit report.

*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 compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program reports were reconciled to income receipted into the School Lunch fund. In fiscal year 2016-2017, all collections for prepayments were recorded directly into the School Lunch fund and not into the appropriate fund, Clearing Account Number 8400 - Prepaid Food. The School Corporation established the Prepaid Food Service Account fund, fund number 840, for 2017-2018, but the online prepayments were still erroneously recorded in the School Lunch fund instead of the Prepaid Food Service Account fund.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

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; . . ."

7 CFR 225.6(e) states in part:

*"State-Sponsor Agreement.* A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

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)

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

*Effect*

The failure to establish an effective internal control system allowed material noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income 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 a system of internal controls to ensure compliance and comply with the grant agreement and the Program Income 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 2018-005**

Subject: Child Nutrition Cluster - Eligibility, 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 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Special Tests and Provisions - Paid Lunch Equity  
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 following compliance requirements:

*Eligibility*

The School Corporation used a food service software which automatically made the eligibility determinations dependent upon the information entered into the software. The income guidelines were programmed into the system without a proper system of oversight, review, or approval by the School Corporation.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Special Tests and Provisions - Paid Lunch Equity*

The Food Service Coordinator completed the paid lunch equity calculations without an oversight, review, or approval process in place to ensure the accuracy of the calculation.

*Context*

The lack of controls was a systemic issue, which occurred 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 developed 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 listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-006***

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income  
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 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Allowable Costs/Cost Principles, Program Income  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Program Income compliance requirements.

The School Corporation had not designed or implemented a system of internal controls to ensure that proper approval had been obtained from the Indiana Department of Education (IDOE) for equipment purchases over \$5,000.

The School Corporation did not provide evidence of prior approval from the IDOE for the purchase of equipment over \$5,000. The purchases of equipment, which included the usage of program income funds, were not made in accordance with federal guidelines.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. Equipment purchases totaled \$463,255 during the audit period, which were 7 percent of program disbursements.

*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 200.439(b)(2) states:

"Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.307(e) states in part:

*"Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures. . . .

- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

7 CFR 210.14(a) states:

*"Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)."

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: . . .

- (ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

7 CFR 225.15(a) states in part:

*"General.* (1) Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part. . . ."

**Cause**

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the compliance requirements listed above 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 a system of internal controls to ensure compliance and comply with the Allowable Costs/Cost Principles and Program Income compliance requirements.

**FINDING 2018-007**

Subject: Child Nutrition Cluster - Procurement

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 2016-2017, FY 2017-2018

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 procurement requirements.

The School Corporation did not obtain prices or rate quotations from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the procedures for small purchases.

*Context*

The lack of effective controls was a systemic issue throughout the audit period. The noncompliance was isolated to the vendors tested under the small purchase procedures.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

LAPORTE COMMUNITY 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). . . ."

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. . . ."

**Cause**

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and procurement requirements.

**Effect**

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the procurement 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 a system of internal controls to ensure compliance and comply with the grant agreement and procurement requirements.

***Views of Responsible Officials***

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2018-008**

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 2016-2017, FY 2017-2018  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: 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 reporting requirements.

A process to review the Child Nutrition Cluster Annual Financial Reports (AFR) had been established; however, it was not effective. The AFRs submitted did not agree with the School Corporation's underlying financial records in both the individual categories and in total. Additionally, the AFRs did not agree with the sales reports generated by the food service point of sale system. The differences were as follows:

	AFR Compared to Financial Statement					
	2016-2017			2017-2018		
	AFR	Financial Statement	Difference	AFR	Financial Statement	Difference
Sales to Children						
Lunch	\$ 568,474	\$ 541,979	\$ 26,495	\$ 510,995	\$ 477,957	\$ 33,038
Breakfast	16,253	16,253	-	15,512	15,084	428
Ala-carte	303,882	309,946	(6,064)	285,691	272,624	13,067
Sales to Adults						
Lunch	39,552	32,614	6,938	34,142	25,117	9,025
Ala-carte	6,147	6,117	30	5,017	5,052	(35)
Other Income	<u>164,772</u>	<u>163,301</u>	<u>1,471</u>	<u>164,240</u>	<u>507,270</u>	<u>(343,030)</u>
Total Income	<u>\$ 1,099,080</u>	<u>\$ 1,070,210</u>	<u>\$ 28,870</u>	<u>\$ 1,015,597</u>	<u>\$ 1,303,104</u>	<u>\$ (287,507)</u>

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

	AFR Compared to Sales Report					
	2016-2017			2017-2018		
	AFR	Sales Report	Difference	AFR	Sales Report	Difference
Sales to Children						
Lunch	\$ 568,474	\$ 565,104	\$ 3,370	\$ 510,995	\$ 512,810	\$ (1,815)
Breakfast	16,253	16,009	244	15,512	15,601	(89)
Ala-carte	303,882	302,127	1,755	285,691	287,840	(2,149)
Sales to Adults						
Lunch	39,552	19,968	19,584	34,142	31,421	2,721
Ala-carte	6,147	3,604	2,543	5,017	4,886	131
Other Income *	<u>164,772</u>	<u>164,772</u>	<u>-</u>	<u>164,240</u>	<u>164,240</u>	<u>-</u>
Total Income	<u>\$ 1,099,080</u>	<u>\$ 1,071,584</u>	<u>\$ 27,496</u>	<u>\$ 1,015,597</u>	<u>\$ 1,016,798</u>	<u>\$ (1,201)</u>

\*Other Income is not included in the Nutrikids Sales Report - used the AFR as the Sales Report total

*Context*

The lack of effective 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 200.302(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. . . ."

*Cause*

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

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the 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 a system of internal controls to ensure compliance and comply with the grant agreement and the reporting requirements.

*Views of Responsible Officials*

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

**FINDING 2018-009**

Subject: Title I Grants to Local Educational Agencies - Level of Effort - Maintenance of Effort, Reporting  
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): ESEA 2015-2016, ESEA 2016-2017,

ESEA 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; 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; the Matching, Level of Effort, Earmarking compliance requirement; and the Reporting compliance requirement.

The financial information submitted by the School Corporation to the Indiana Department of Education through the Form 9 reports was used to calculate the School Corporation's level of effort as well as complete the State Per Pupil Expenditure Report.

The Form 9 reports were generated by the Treasurer. The School Corporation implemented a new software system in April 2016. While both the President of the School Board and Superintendent of Schools signed the Form 9 reports, there was no evidence of their review or other compensating control to detect errors in a timely manner.

*Context*

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

LAPORTE COMMUNITY 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). . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement; the Matching, Level of Effort, Earmarking compliance requirement; 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; the Matching, Level of Effort, Earmarking compliance requirement; and the Reporting compliance requirement. 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 a system of internal controls to ensure compliance with the grant agreement; the Matching, Level of Effort, Earmarking compliance requirement; and 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.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-010***

Subject: Title I Grants to Local Educational Agencies - Reporting  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): ESEA 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*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. There was no system of internal controls in place to ensure that journal entries were accurately recorded. One employee prepared and recorded journal entries without any oversight, review, or approval process to detect and correct errors.

One request for reimbursement was not supported by the School Corporation's records due to multiple journal entries and the ability to backdate transactions.

*Context*

The lack of controls was a systemic issue throughout the audit period. The noncompliance was an isolated incident. The School Corporation's financial software posted several payroll transactions in a subsequent and incorrect period, which required journal entries to correct the problem. Multiple journal entries were posted to the records. Some journal entries were posted at the time the problem was discovered, but others were posted after the request for reimbursement had been submitted. The journal entries made after the request were backdated to the period that the financial software posted incorrectly. The number of journal entries, combined with the ability to backdate them, produced School Corporation records that did not support the request for reimbursement.

*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). . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled noncompliance to remain undetected. Noncompliance with the grant agreement and the Reporting 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 a system of internal 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 2018-011**

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): ESEA 2016-2017, ESEA 2017-2018

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

*Condition*

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.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not ensure that there was written documentation retained from the receiving school for students removed from the cohort for mobility reasons.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the 25 students tested, 4 did not have the required supporting documentation to substantiate removal from the cohort for mobility reasons.

*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). . . ."

34 CFR 200.19(b)(1)(ii)(b) states in part:

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

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Special Test and Provisions - Annual Report Card, High School Graduation Rate compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 2018-012**

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles, Cash Management, 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): 14216-055-PN01, 14217-055-PN01, 45716-055-PN01, 45717-055-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The South LaPorte County Special Education Cooperative (Cooperative) was a planning district whose purpose was to provide free appropriate public education to students identified as disabled in accordance with state statute who were legal residents and/or have been accepted through means of open enrollment or other legal means of transfer to the participating, member school corporations in LaPorte County. The School Corporation was the administrator of this Cooperative. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with the grant agreement and the compliance requirements listed above.

The School Corporation prepared journal entries when an adjustment or transfer was necessary. One employee prepared the journal entries without any oversight, review, or approval process in place.

Health insurance costs were recorded in the grant funds annually. When the School Corporation's new software system was implemented in April 2016, the insurance costs were also recorded in the grant funds during each payroll. This resulted in duplicate health insurance costs recorded, and subsequently, reimbursed by the grantor agency for the months of April through September 2016. School Corporation officials created a journal entry to adjust for duplicate costs of \$154,803 on the August 2016 reimbursement request, which covered the months of April through August. Additional duplicate health insurance costs of \$26,616 were requested and reimbursed for September 2016. The duplicate costs for September 2016 were not adjusted on a subsequent reimbursement request.

Reimbursements of allowable expenditures of the 2016 preschool grant were received from the grantor agency. Subsequently, officials determined that the 2015 preschool grant had monies remaining so a portion of the 2016 grant costs were transferred to the 2015 preschool grant fund. School Corporation officials adjusted the 2016 grant reimbursement requests to avoid duplicate reimbursements. However, officials did not adjust the 2016 reimbursement requests for all of the transferred costs. There was an additional \$1,647 not included in an adjusted reimbursement request, which resulted in duplicated costs.

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The duplicated costs of \$28,263, as detailed above, were considered questioned costs.

*Context*

The lack of controls was isolated to the journal entries. The noncompliance was isolated to the health insurance and preschool grant costs described in the *Condition*.

*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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuances or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement, the Allowable Costs/Cost Principles, Cash Management, and the Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to remain undetected. Noncompliance with the grant agreement, the Allowable Costs/Cost Principles, Cash Management, and the Reporting compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

Known questioned costs of \$28,263 were identified in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and comply with the grant agreement, Allowable Costs/Cost Principles, Cash Management, 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 2018-013**

Subject: Special Education Cluster (IDEA) - Earmarking and 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): 14216-055-PN01, 14217-055-PN01,  
18611-055-PN01, 45716-055-PN01,  
45717-055-PN01, 18619-055-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Findings: Material Weakness, Modified Opinion

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

The South LaPorte County Special Education Cooperative (Cooperative) was a planning district whose purpose was to provide free appropriate public education to students identified as disabled in accordance with state statute who were legal residents and/or have been accepted through means of open enrollment or other legal means of transfer to the participating, member school corporations in LaPorte County. The School Corporation was the administrator of this Cooperative. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with the grant agreement and the following compliance requirements:

*Earmarking - Non-Public Proportionate Share*

The School Corporation and the Cooperative did not retain the supporting documentation used to calculate the amount of special education and related services that were provided to students in nonpublic schools and facilities; therefore, we were unable to determine compliance with the earmarking requirements.

*Reporting - Proportionate Share Monitoring Reports and Part B (611) Final Report*

The School Corporation and the Cooperative did not retain the supporting documentation used to report the amount of special education and related services that were provided to students in nonpublic schools and facilities; therefore, we were unable to determine the accuracy of the reports.

*Reporting - Part B (611) Final Report and Part B (619) Final Report*

The Part B (611) Final Report for grant 14216-055-PN01 did not agree with the School Corporation's ledger. The amount reported for certified salaries was understated \$110,500 and employee benefits were overstated \$110,350, compared to the ledger. The Part B (619) Final Report for grant 45716-055-PN01 did not agree with the School Corporation's ledger. The amount reported for certified salaries was understated by \$2,375 and employee benefits were overstated by \$2,375, when compared to the ledger.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

*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). . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 . . . ."

2 CFR 200.333 states in part:

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

*Cause*

The School Corporation had not established a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls and retain adequate supporting documentation to ensure compliance with the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**Board of School Trustees**

Mrs. Shannon Hannon, President  
Mrs. Marie Gilliland, Vice President  
Mrs. Rhonda Spence, Secretary  
Mr. Mark Kosior, Member  
Mrs. Jan Ribordy, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

**Views of Responsible Official:**

We concur with most of the finding. The financial software system was not accurate as a result of incorrect financial information being brought forward through conversion and misguidance from our software provider on how to enter a journal entry. Receipts and disbursements were posted correctly. Only the journal entries were incorrect prior to October 2018. Since the first Form 9 that was generated after the April 2016 conversion, LaPorte Community School Corporation has worked with the financial software supplier as well as SBOA to rectify the incorrect financial data. Journal entries were conducted to correct the data. As of March of 2019, all corrections have been made with the exception of the 8010 clearing fund which is still a work in progress. Through several tests, we believe that accuracy has been determined. Bank reconciliations for the corporation bank account had been completed for the months of April-September 2016 but were never requested. We do not believe that the record differences stated in the finding as of June 2017 and June 2018 are accurate.

**Description of Corrective Action Plan:**

LaPorte Community School Corporation has established internal controls to ensure that financial transactions and reporting are accurate. Now that the financial records have been corrected in the software system, we are able to resume our reconciliations. All journal entries will be completed by the Treasurer or Deputy Treasurer and will be reviewed and signed by each other and the CFO if needed. Beginning on January 1, 2019 we started this process and will continue to do so. Financial statements will be reviewed and signed-off by the Deputy Treasurer, Treasurer, and the CFO for accuracy prior to submission. There will no longer be back dating and duplication of transaction numbers.

**Anticipated Completion Date:**

Bank Reconciliations – December 31, 2019  
Journal Entries – January 1, 2019  
Back Dating – January 1, 2019

  
\_\_\_\_\_  
(Signature)  
CFO  
\_\_\_\_\_  
(Title)  
4/16/19  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**Board of School Trustees**  
Mrs. Shannon Hannon, President  
Mrs. Marie Gilliland, Vice President  
Mrs. Rhonda Spence, Secretary  
Mr. Mark Kosior, Member  
Mrs. Jan Ribordy, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

The accuracy of the financial software has been established. Therefore, the financial information for the preparation of the SEFA is accurate which will result in accurate reporting. In addition, three people will be included in the internal controls for the preparation of the SEFA. The Deputy Treasurer, Treasurer, and CFO will review the SEFA report prior to submission on Gateway. Each will sign-off on the report upon completion of the review. The certification document will be kept on file.

Anticipated Completion Date:  
June 30, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**Board of School Trustees**  
Mrs. Shannon Hannon, President  
Mrs. Marie Gilliland, Vice President  
Mrs. Rhonda Spence, Secretary  
Mr. Mark Kosior, Member  
Mrs. Jan Ribordy, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member



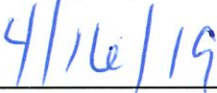
**FINDING 2018-003**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
LaPorte Community School Corporation has contracted with a third-party appraisal company to perform an on-site audit and listing of all equipment housed at LaPorte Community School Corporation that exceeds the \$5,000 threshold. The listing of capital assets will be reconciled by the LPCSC Business Office and documented for verification. Moving forward, when a claim is submitted for payment on equipment that exceeds the threshold, a form will be completed and attached to the claim that will include all necessary information to update the capital asset list.

Anticipated Completion Date:  
June 30, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**Board of School Trustees**  
Mrs. Shannon Hannon, President  
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Mrs. Rhonda Spence, Secretary  
Mr. Mark Kosior, Member  
Mrs. Jan Ribordy, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

**FINDING 2018-004: Child Nutrition Cluster - Program**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

**Views of Responsible Official:**

We concur with the finding. However, please note that our last SBOA audit was not completed until June 2017 and a portion of this repeat finding regarding establishing the Prepaid Food Service account and recording the prepayments into that fund overlaps this audit period. Immediately following the prior audit, the Prepaid Food Service account was established and the daily breakfast and lunch collections were receipted into the correct accounts. It was the monthly online credit card payments that were receipted into the School Lunch Fund in error. Our internal controls process did detect the erroneous recordings into the School Lunch fund instead of the Prepaid Food Service fund. This was corrected prior to the audit.

**Description of Corrective Action Plan:**

Internal controls have been established and are in place for the accuracy of the daily deposits and monthly transfers of the breakfast and lunch sales into the respective funds. Beginning with the 2017-2018 school year, the Treasurer receives a monthly report from the Food Service department that provides the amount of breakfast, lunch and ala cart prepaid funds were used during the month. The Treasurer completes a journal entry to transfer the dollar amounts from the Prepaid Food Service account into the respective School Lunch Fund accounts. The Deputy Treasurer reviews and signs the journal entry and a copy of each month's journal entry is sent to the Food Service Department for their records and review. The journal entry and backup documentation is also kept at the corporation office.

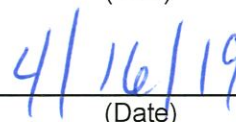
Anticipated Completion Date:  
November 30, 2018



(Signature)



(Title)



(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**Board of School Trustees**  
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Mrs. Jan Ribordy, Member  
Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

**FINDING 2018-005**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056



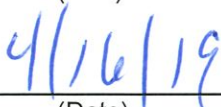
Views of Responsible Official:  
We concur with the finding.

**Description of Corrective Action Plan:**

The practice of random testing for the accuracy of the data for direct certification, within the food service software, began in fall of 2018 and is conducted on a quarterly basis. Upon completion of the tests, the Food Service Secretary and the Director of Food Service review the results of the test and both will sign and date to provide documentation that the tests were conducted. Documentation will be kept on file at the office of Food Service.

The Paid Lunch Equity calculation will be reviewed by both the Director of Food Service and the Administrative Assistant for Food Service. Both will sign the document as documentation of review.

Anticipated Completion Date:  
Special Tests and Provisions – September 1, 2018  
Paid Lunch Equity – May 1, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mr. Jim Arnold, Member

### **FINDING 2018-006**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

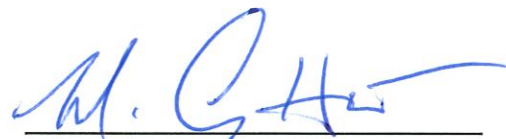
#### Views of Responsible Official:

We concur with the finding. (Note –verification cannot be located to prove that proper permission from the Federal Pass-through agency was granted prior to the purchase of equipment. The former Director of Food Service did seek approval prior to proceeding with the purchase. Purchasing food service equipment was part of the Corrective Action Plan to reduce to a three-month operating balance as prescribed by the federal guidelines.)

#### Description of Corrective Action Plan:

Any purchase of Food Service Equipment that exceeds the \$5000 threshold will seek prior approval from the Federal pass-through agency. Written verification of approval will be kept on file, along with signatures from the Director of Food Service and CFO. The verification will be attached to all documents associated with the purchase of equipment.

Anticipated Completion Date:  
September 1, 2018

  
\_\_\_\_\_  
(Signature)  
  
CFO  
\_\_\_\_\_  
(Title)  
  
4/16/19  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

***FINDING 2018-007***

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

Internal controls are in place where the information is retained in paper form as well as in electronic form on the Food Service Department shared drive.

Anticipated Completion Date:  
September 1, 2018

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member

### **FINDING 2018-008**


Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

### Description of Corrective Action Plan:

Prior to submitting the Annual Financial Report for Child Nutrition, the Food Service Secretary, the Director of Food Service, the LPCSC Treasurer, and the CFO will review and sign-off on the document. This will ensure the accuracy of the Annual Financial Report as it relates to Child Nutrition.

Anticipated Completion Date:  
June 30, 2019

  
\_\_\_\_\_  
(Signature)  
  
CFO  
\_\_\_\_\_  
(Title)  
  
4/16/19  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mrs. Shari Ott-Large, Member  
Mr. Jim Arnold, Member


**FINDING 2018-009:**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
The inaccuracies in our Form 9 have been corrected in our software and moving forward our Form 9's will have the correct amounts. The Deputy Treasurer, Treasurer, and CFO will review and document review of Form 9 for accuracy as it relates to Title I reporting.

Anticipated Completion Date:  
June 30, 2019

  
\_\_\_\_\_  
(Signature)  
CFO  
\_\_\_\_\_  
(Title)  
4/16/19  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
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Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mr. Jim Arnold, Member

**FINDING 2018-010**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

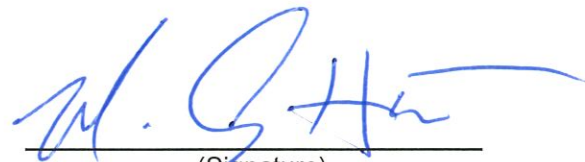
**Views of Responsible Official:**

We concur with the finding, however, the internal controls that we had in place was how we detected the inaccurate payroll transactions. At the time of this isolated incident, we were still learning our new software system and did not fully understand how the system posted certain payroll modifications or corrections. After we discovered the error, we contacted our software provider to assist us in correcting the transactions. Due to the fact that the original posting date and the correction dates crossed between calendar year's, the system appeared to look like the entries posted twice to the grant. However, because our software allowed payroll to backdate their corrections to a different calendar year, it appeared as though the original posting was never corrected. The journal entries that we entered did correct the equity and asset balance but the reimbursement reports still reflect a duplicate posting during the audit. We were able to provide an asset report to show that we did not spend more than we were awarded and we did not ask for reimbursement for more than we spent. Our software provider is still trying to find a way to fix this issue.

**Description of Corrective Action Plan:**

Our payroll department is watching their posting dates very carefully. When the Deputy Treasurer prints the reports for the monthly reimbursement requests, she is now extending the dates on the report to ensure that there has been nothing posted to a prior time frame as well as nothing posting to a later time frame. The Treasurer is also reviewing the reports before they are submitted for reimbursement. Our Grants and Testing Coordinator is monitoring each payroll by viewing her detailed reports.

Anticipated Completion Date:  
May 1, 2019

  
\_\_\_\_\_  
(Signature)  
CFO  
\_\_\_\_\_  
(Title)  
4/16/19  
\_\_\_\_\_  
(Date)

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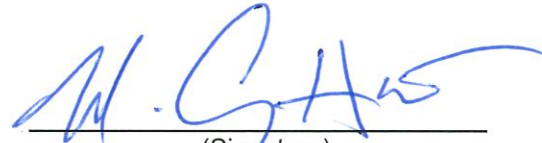
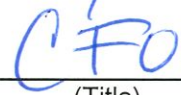

**FINDING 2018-011**

Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
LaPorte High School requested an audit for the numbers being reported for the graduation rate and the number of students who were withdrawing from school. Through this process, protocol was established to accurately report the students were being withdrawn. A form is in place at the high school that is completed each time a student withdraws. This is reviewed by the high school Principal, the Assistant Principals, and the Registrar.

Anticipated Completion Date:  
August 1, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

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Mr. Jim Arnold, Member

***FINDING 2018-012***



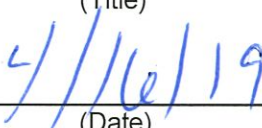
Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

Due to the new financial software automatically charging health insurance costs, when it should not have, our reimbursements were affected by this issue. automatic charge was turned off, so it would not be an issue moving forward. The total reimbursement request for the year was reconciled and corrected. Prior to the end of each month, the Deputy Treasurer will review her expenditure reports which includes payroll and accounts payable. If any corrections are needed, they are then able to be completed before month end and before the reimbursement requests are submitted.

Anticipated Completion Date:  
May 1, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

Mr. Mark D. Francesconi, Superintendent  
Dr. Jane Larson, Assistant Superintendent Secondary Education  
Mr. Steven R. Manering, Assistant Superintendent Elementary Education  
Mr. M. Greg Hunt, Chief Financial Officer

**FINDING 2018-013**




Contact Person Responsible for Corrective Action: Greg Hunt, Chief Financial Officer  
Contact Phone Number: (219) 362-7056

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

1. Each staff keeps track of the time spent on duties with the Non-public School(s). Only staff paid from federal grant or partially from federal grant - Part B and Preschool.
2. Time and Effort Logs are filled out and turned in monthly by staff and reviewed.
3. The percentage that is needed and the dollar amount is prefigured in the grant per the student count for each district.
4. A spreadsheet with the hourly amounts is kept which includes benefits.
5. Double check with payroll for each quarter. (We receive the payroll check history report. This has the amount that staff is paid each quarter.
6. Each person's amount for the month is then calculated again for verification.
7. All salaries and benefits are added together to equal the amount for the quarter.
8. Proportionate share forms are filled out, and double checked for each district with the Special Education Director's Administrative Assistant.
9. Forms are taken to the CFO for review.
10. Forms are signed by the CFO and the Special Education Director.

Anticipated Completion Date:  
May 1, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

LAPORTE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B48423.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2017 and 2018:

Fund	Amount Overdrawn	
	06-30-17	06-30-18
2017 Construction	\$ 291,423	\$ 284
Textbook Rental	1,479,252	1,268,324
Hailmann Unity Fdtn	187	187
LTD Ins TFR	11,523	17,623
Work Comp Ins TFR	4,823	-
School Technology	4,951	-
Performance Based Awards	-	40,453
Alcoa/Lincoln Lions	-	659
Prepaid Food Service Account	-	244,299

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. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS - HIGH SCHOOL**

The School Corporation's high school extracurricular account bank reconciliation did not agree to the records at June 30, 2017 and 2018. The reconciled bank balance exceeded the record balance by \$215 and \$284 at June 30, 2017 and 2018, respectively. Bank reconciliations were not completed on a monthly basis. The reconciliation included outstanding checks over two years old from the old financial software system that should have been receipted back to the funds from which they originated.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

LAPORTE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2019, with Jayne L. Grillo, Treasurer; M. Gregory Hunt, Chief Financial Officer; Mark D. Francesconi, Superintendent of Schools; Shannon Hannon, President of the School Board; and Holly Casto, Deputy Treasurer.