

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE RIDGE SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
01/03/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Edward R. Sopko Chris Akers	07-01-17 to 09-31-18 10-01-18 to 06-30-20
Superintendent of Schools	Dr. Sharon Johnson-Shirley	07-01-17 to 06-30-20
President of the School Board	Glenn Johnson	07-01-17 to 06-30-20



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

This report is supplemental to our audit report of the Lake Ridge Schools (School Corporation), for the period from July 1, 2017 to June 30, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinion on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

December 9, 2019

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B50385.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2018 and 2019:

Fund	Amount Overdrawn As of June 30,	
	2018	2019
Library Grant	\$ 663	\$ 663
Payroll	78,322	81,525

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**FINANCIAL TRANSACTIONS**

*Condition and Context*

There was a deficiency in the internal control system of the School Corporation related to financial transactions. The School Corporation had not designed or implemented proper segregation of duties related to receipts and payroll disbursements.

*Receipts*

One employee issued receipts, posted receipts to the ledger, prepared deposits, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

*Payroll Disbursements*

Payroll detail was entered and reviewed by the same individual. The fiscal officer certified the payroll claim in total without reviewing the details by employee and fund.

LAKE RIDGE SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

The lack of effective internal controls allowed noncompliance to go undetected. The School Board approved Clerical Unit Contract did not include all Technology Department employees' rates of pay.

*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. . . ."

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

Upon completion of the payroll claim by the business office, the certificate must be executed by the superintendent of schools or the business manager of the school corporation (provided the business manager is not also the treasurer) and the attest or approval signed by the treasurer of the school corporation. The payroll claim should then be processed, numbered, allowed by the school board and filed in numerical sequence with other claims. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

LAKE RIDGE SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2019, with Laura Hubinger, Business Manager; Dr. Sharon Johnson-Shirley, Superintendent of Schools; Chris Akers, Treasurer; Adrian Wilkerson, Deputy Treasurer; Glenn Johnson, President of the School Board; and Kim Osteen, School Board member.