

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE STATION COMMUNITY SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

06/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/Treasurer	Eric Kurtz	07-01-18 to 06-30-21
Superintendent of Schools	Thomas Cripliver	07-01-18 to 06-30-21
President of the School Board	Karen Curtis Greg Tenorio Larry Biggs Karen Curtis	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Lake Station Community Schools (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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 opinions on the School Corporation's financial statement. This report may be found at 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 Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

June 7, 2021

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in prior Report B52400.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to cash and investments. The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the bank account reconciliations.

The reconciled bank balance was greater than the record balance (cash fund ledger) by \$13,954, as of June 30, 2019, and less than the record balance by \$20,598, as of June 30, 2020. The reconciliation reports provided for audit indicated that the bank and record balances reconciled. The School Corporation did not compare the reconciled bank balances to the cash fund reports; thus, the School Corporation had not been aware that differences between the reconciled bank balances and the cash fund balances had occurred.

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. . . ."

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."

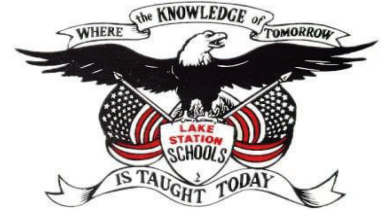
At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

LAKE STATION COMMUNITY SCHOOLS

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

ERIC D KURTZ
CHIEF FINANCIAL OFFICER



OFFICIAL RESPONSE

June 16, 2021

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

RE: **2018-2020 State Board of Accounts Audit**

Dear Auditors:

Thank you for your time and efforts in reviewing the financial records and documents of the Lake Station Community Schools for the two (2) year period from July 1, 2018 through June 30, 2020.

The bank reconciliation finding relates to the transition of our student Textbook Rental / Curricular Material (TBR) fees that had been accounted for and managed within extra-curricular accounts (ECA) at each individual school. To improve visibility, oversight, and accountability TBR funds were removed from each individual school's ECA and migrated onto the school corporation's financial management system. Unfortunately, we have unsuccessfully attempted to true-up the balances; after entering the correcting entries we receive an error when completing our biannual Form 9 submission. In order to have the for 9 submission accepted we are forced to undue the correcting entries to pass submission edits and meet submission deadlines. Bank reconciliations are completed monthly and reviewed on the school's operating bank account.

Regards,

Eric Kurtz, MBA CEO
Chief Financial Officer
Lake Station Community Schools
219-962-1159 x104
ekurtz@lakes.k12.in.us

BOARD OF SCHOOL TRUSTEES

Larry R. Biggs • Karen E. Curtis • Gregory S. Tenorio • Brent A. Watts • David E. Wright

LAKE STATION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2021, with Eric Kurtz, Chief Financial Officer/Treasurer; Dr. Thomas Crippliver, Superintendent of Schools; Karen Curtis, President of the School Board; Brent Watts, Secretary of the School Board; and Larry Biggs, School Board member.