

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF HOBART

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**

06/29/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-18 to 06-30-21
Business Manager	Ted Zembala	07-01-18 to 06-30-21
Superintendent of Schools	Peggy Buffington	07-01-18 to 06-30-21
President of the School Board	Terry D. Butler	07-01-18 to 06-30-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

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

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

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

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

June 9, 2021

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B52417, entitled *FINDING 2018-001, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

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

The School Corporation designed internal controls over payroll disbursements, but they were not properly implemented. The Business Manager reviewed the payroll disbursements; however, there was no review to ensure that employee payrolls were recorded in the correct funds and accounts.

*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. . . ."

**AVERAGE DAILY MEMBERSHIP (ADM) - INTERNAL CONTROLS**

*Condition and Context*

The School Corporation's Technology (IT) Department was responsible for compiling and submitting the Average Daily Membership (ADM) counts from the Student Management Information system.

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

The detailed information prepared at the individual schools and certified by the building level administrator was not received or reviewed by the IT Department, or compared to the information that was used for reporting ADM.

When the ADM count date information was uploaded to the Indiana Department of Education's (IDOE) website by the IT Department, the error report received from the IDOE was relied upon and used to correct any errors in the upload process. A documented review of the student list that was uploaded to the IDOE for the ADM count dates was not designed.

Furthermore, supporting documentation was not provided with the summary ADM information to support the students claimed when the Superintendent of Schools and Treasurer certified the School Corporation ADM summary for submission to the IDOE.

*Criteria*

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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 building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)



# SCHOOL CITY OF HOBART

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<http://www.hobart.k12.in.us>

*"Building College and Career Ready Brickies"*

## ADMINISTRATION

**Dr. Peggy Buffington, Ph.D.**  
Superintendent

**Ted Zembala**  
Business Manager

**Jonathan Mock**  
Director of Human Resources  
& Compliance

**Lori Anderson**  
Director of Elementary  
Curriculum

**Tim Krieg**  
Director of Secondary  
Curriculum

**Sara Gutierrez**  
Director of Early Learning &  
Education

**Deborah Matthys**  
Director of Social Emotional  
Learning

**Danielle Adams**  
Director of School Counselors

**Russell Mellon**  
Director of Information  
Technology Services

**Christopher King**  
Director of Technology

**Felix Perry**  
Director of Support Services

**Lisa Wilkison**  
Director of Transportation

**Nancy Smith**  
Director of Food Services

**Greg Bialata**  
Director of Safety & Operations

**Jamie Noel**  
Coordinator of Student  
Health Services

**Peter Goerges**  
School Legal Counsel

## BOARD OF SCHOOL TRUSTEES

**Terry D. Butler**  
President

**Karen J. Robbins**  
Vice President

**Rikki A. Guthrie**  
Secretary

**Sandra J. Hillan**  
Member

**Frank Porras**  
Member

**Donald H. Rogers**  
Member

**Stuart B. Schultz**  
Member

**William Longor**  
Board Attorney

## MANAGEMENT LETTER COMMUNICATING NONCOMPLIANCE

### INTERNAL CONTROLS

Additional informational fields have been added to the attendance worksheets to comply with this Finding. Attendance worksheet fields now contain: Check Date, Pay Period, Time Location, Pay Group, Pay Type, Employee Name, Days, Hours, Pay Rate, Distribution by Fund-Account-Object-Location, Pay Amount. Attendance worksheets are reviewed, approved, and signed by the Director of Human Resources and Compliance.

Completion Date: 05/2021

### AVERAGE DAILY MEMBERSHIP (ADM) – INTERNAL CONTROLS

The IT Department will review information prepared and certified at the individual schools used to report ADM. The IT Department will document the review process.

The documentation supporting the DOE-ME ADM Report Summary will be provided to the Superintendent and Treasurer prior to signing the report.

Ted J. Zembala  
Business Manager  
June 25, 2021

The School City of Hobart does not discriminate on the basis of race, creed, sex, color, national origin, religion, age, sexual orientation, marital status, genetic information, or disability, including limited English proficiency.

SCHOOL CITY OF HOBART  
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2021, with Ted Zembala, Business Manager; Dawn Powers, Treasurer; Peggy Buffington, Superintendent of Schools; Robert Glover Jr., Assistant Business Manager; Nancy Smith, Food Service Director; and Terry D. Butler, President of the School Board.