

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAKE STATION COMMUNITY SCHOOLS

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/09/2021

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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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Lake Station Community Schools (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated June 7, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

Lake Station Community Schools' Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 7, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Lake Station Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated June 7, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

June 7, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 18-19	\$ -	\$ 167,516	\$ -	\$ -
School Breakfast Program			FY 19-20	-	-	-	104,662
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 19-20	-	-	-	6,129
Total - School Breakfast Program				-	167,516	-	110,791
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			2018-2019	-	503,330	-	-
School Lunch Program			2019-2020	-	-	-	314,153
School Lunch Program - Commodities			2018-2019	-	63,332	-	-
School Lunch Program - Commodities			2019-2020	-	-	-	64,340
Sub-Total - National School Lunch Program				-	566,662	-	378,493
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 19-20	-	-	-	25,313
Total - National School Lunch Program				-	566,662	-	403,806
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			FY 18-19	-	19,238	-	-
Summer Food Service Program			FY 19-20	-	-	-	20,587
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program			FY 19-20	-	-	-	80,915
Total - Summer Food Service Program				-	19,238	-	101,502
Total - Child Nutrition Cluster				-	753,416	-	616,099
Total - Department of Agriculture				-	753,416	-	616,099
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education IDEA Part B 611			18611-045-PN01	-	40,002	-	-
Special Education IDEA Part B 611			18611-045-PN01	-	-	-	3,001
Special Education IDEA Part B 611			19611-045-PN01	-	251,109	-	-
Special Education IDEA Part B 611			19611-045-PN01	-	-	-	58,979
Special Education IDEA Part B 611			20611-045-PN01	-	-	-	230,691
Total - Special Education Grants to States				-	291,111	-	292,671

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education IDEA Part B 619			18619-045-PN01	-	3,897	-	-
Special Education IDEA Part B 619			19619-045-PN01	-	3,336	-	-
Special Education IDEA Part B 619			19619-045-PN01	-	-	-	3,658
Special Education IDEA Part B 619			20619-045-PN01	-	-	-	5,335
Total - Special Education Preschool Grants				-	7,233	-	8,993
Total - Special Education Cluster (IDEA)				-	298,344	-	301,664
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A170014	-	326,828	-	-
Title I			S010A170014	-	-	-	14,444
Title I			S010A180014	-	-	-	441,859
Title I			S010A190014	-	-	-	117,646
Total - Title I Grants to Local Educational Agencies				-	326,828	-	573,949
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			S365A160014	-	16,388	-	-
Title III			S365A170014	-	-	-	13,628
Total - English Language Acquisition State Grants				-	16,388	-	13,628
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A160013	-	18,107	-	-
Title II Part A			S367A170013	-	47,101	-	-
Title II Part A			S367A170013	-	-	-	12,474
Title II Part A			S367A180013	-	-	-	26,100
Total - Supporting Effective Instruction State Grants				-	65,208	-	38,574
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A180015	-	-	-	24,068
Total - Department of Education				-	706,768	-	951,883
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medicaid Reimbursement			FY 2019-2020	-	-	-	1,089
Total - Medicaid Cluster				-	-	-	1,089
Total - Department of Health and Human Services				-	-	-	1,089
Total federal awards expended				\$ -	\$ 1,460,184	\$ -	\$ 1,569,071

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the fiscal agent for the Cooperative.

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

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 \$19,954 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 the bank and record balances reconciled. The School Corporation had not compared the reconciled bank balances to the cash fund reports; thus, the School Corporation was not aware that differences existed between the reconciled bank balances and the cash fund balances.

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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)

Cause

Management of the School Corporation had not established a proper system of internal controls over cash and investments.

Effect

The failure to establish an effective system of internal controls enabled misstatements or irregularities to remain undetected on the monthly bank account reconciliations.

Views of Responsible Officials

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

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility

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): S010A170014, S010A180014, S010A190014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

One employee prepared and determined the distribution of payroll expenditures during fiscal year 2018-2019. There was no segregation of duties, such as an oversight or approval process, to ensure that Title I employees were paid from the correct fund.

The lack of internal controls was isolated to 2018-2019.

Eligibility

There was no system of internal controls over the real time data report for the October 1 submission during the audit period. One employee at each school building submitted their own real time data to the STN Application website without any oversight or an approval process to ensure the data included in the report was accurate.

The lack of internal 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). . . ."

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility compliance requirements.

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 and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

LAKE STATION COMMUNITY SCHOOLS

2500 PIKE STREET • LAKE STATION, IN 46405-2258 • TELEPHONE: (219) 962-1159
FAX: (219) 962-4011



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting

Fiscal years in which the finding initially occurred: 2016-2018

Status of Audit Finding: Corrected

When audit findings were fully corrected: July 31, 2019

The corrective action included:

- 1) A review of current assignments and segregating duties to reduce risks and improve controls.
- 2) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 3) Improved Financial Transactions and Reporting.
- 4) Actions to enhance retention of personnel responsible for financial transactions and reporting to reduce turnover.
- 5) Improved use of technology-based systems to ensure effectiveness and accuracy financial transactions and reporting.
- 6) Implementation of routine multiple level Receipt and Financial Reporting reviews and verifications.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
May 17, 2021

LAKE STATION COMMUNITY SCHOOLS

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)
Fiscal years in which the finding initially occurred: 2016-2018

Status of Audit Finding: Corrected

When audit findings were fully corrected: June 30, 2019

Corrective action included:

- 1) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 2) A review of current assignments and identify opportunities to implement multiple level of review and verification.
- 3) Actions to enhance retention of personnel responsible for financial transactions and reporting to reduce turnover.
- 4) Improved use and/or consolidation of technology-based systems to ensure effectiveness and accuracy financial transactions and reporting for the SEFA; including timing issues of recognition of receipt/expenditure transactions.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
May 17, 2021

LAKE STATION COMMUNITY SCHOOLS

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003

Subject: Child Nutrition Cluster – Procurement

Fiscal years in which the finding initially occurred: 2016-2018

Status of Audit Finding: Corrected

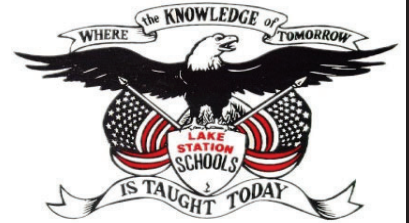
When audit findings were fully corrected: June 30, 2019

Corrective actions included development and implementation of procedures to ensure compliance with federal procurement requirements applicable to the purchases made in the “small purchase” threshold as well as applicable local polices and state laws. Price or rate quotes will be solicited from an adequate number of qualified sources for purchases of goods or services under the “small purchase” threshold and documented.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
May 17, 2021

LAKE STATION COMMUNITY SCHOOLS

2500 PIKE STREET • LAKE STATION, IN 46405-2258 • TELEPHONE: (219) 962-1159
FAX: (219) 962-4011



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Subject: Special Tests and Provisions – Paid Lunch Equity (PLE)
Fiscal years in which the finding initially occurred: 2016-2018

Status of Audit Finding: Corrected

When audit findings were fully corrected: May 15, 2019

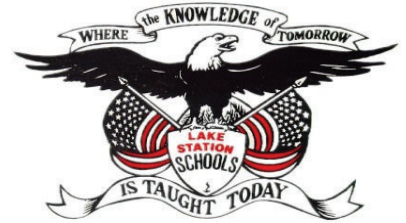
Corrective action included:

- 1) A review of Paid Lunch Equity (“PLE”) compliance requirements and guidance will be conducted.
- 2) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 3) Improved understanding of PLE compliance review guidance as established by the US Department of Agriculture (USDA), Indiana Department of Education (IN DoE) and grant guidance.
- 4) A review of current assignments and duties to enhance monitoring, oversight and review of the PLE will be completed.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
May 17, 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Subject: Financial Transactions

Person Responsible for Corrective Action:
Eric Kurtz – 219-962-1159

Views of Responsible Official:

Due to the timing and completion of the prior audit (through 06/30/2018) corrective actions on Financial Transactions identified were not implemented for this full audit period.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review and correction of the overstated balance with the following actions.
 - a. Consultation and work with our financial system vendor to implement true-up adjustments; and,
 - b. Consultation and work with Indiana Department of Education staff responsible for Form 9 reporting to implement true-up adjustments that will allow for timely submission of the Form 9.
- 2) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 3) Improved use of technology-based financial systems to ensure effectiveness and accuracy financial transactions and reporting.
- 4) Continued use of multiple level financial reporting reviews and verifications.

Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by August 31, 2021; with an implementation to occurring by December 31, 2021.

Eric D. Kurtz, Chief Financial
Officer Lake Station Community Schools June 7, 2021

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CORRECTIVE ACTION PLAN

FINDING 2020-002

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility

Person Responsible for Corrective Action:
Eric Kurtz – 219-962-1159

Views of Responsible Official:

Due to the timing of the prior audit for the two (2) year period from 07/01/2014 through 06/30/2016 that was finalized on March 26, 2019 we believe corrective actions were implemented for the 2019-2020 school year.

Description of Corrective Action Plan:

The corrective action will include:

- 1) Continue to improved training, education and professional development of personnel responsible for financial transactions and reporting relating to federal programs.
- 2) Continue to assess assignments and identify opportunities for multi-level of review and verification.
- 3) Improved use of technology-based financial systems to ensure effectiveness and accuracy financial transactions and reporting for federal programs.

Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by August 31, 2021; with continued implementation occurring during the 2021-2022 school year.

Eric D. Kurtz, Chief
Financial Officer Lake Station Community Schools June 7, 2021

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.