

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, 2020 to June 30, 2022



FILED
02/10/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-20 to 06-30-23
Business Manager	Ted Zembala Robert Glover, Jr.	07-01-20 to 06-30-21 07-01-21 to 06-30-23
Superintendent of Schools	Peggy Buffington	07-01-20 to 06-30-23
President of the School Board	Terry D. Butler	07-01-20 to 06-30-23



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, 2020 to June 30, 2022. 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

January 31, 2023

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

The School Corporation had not separated incompatible activities related to receipts and other financing sources and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

Receipts and Other Financing Sources

The School Corporation had designed a process of oversight or review over receipts to ensure the accuracy, completeness, timeliness, and classification of the receipts. However, implementation of the oversight or review process was not documented and could not be verified.

Financial Reporting.

The School Corporation had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement). One employee prepared and entered the financial information without a documented review or oversight in place to prevent, or detect and correct, errors on 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. . . ."

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM)

A similar comment also appeared in prior Report B56975, entitled *AVERAGE DAILY MEMBERSHIP (ADM) - INTERNAL CONTROLS*.

Condition and Context

The School Corporation had an internal control process in place over Average Daily Membership (ADM) counts; however, it was deemed ineffective due to the variance noted in the pupil counts per the Membership Report (DOE-ME) report, the supporting documentation, and the tuition support worksheet. For the Fall 2021 count date, the DOE-ME report count and supporting documentation included 97 virtual students; however, the tuition support worksheet included zero virtual students. The tuition support worksheet included the 97 students as brick and mortar students. The variances could not be explained by school personnel.

In addition, a copy of the signed certification for ADM that was submitted to the Indiana Department of Education was not retained for the Spring 2022 pupil count.

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:

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Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

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

Bob Glover Jr.
Business Manager

Jonathan Mock, Ed.S.
Director of Human Resources
& Compliance

Lori Anderson
Director of Elementary Curriculum

Dr. Tim Krieg, Ph.D.
Director of Secondary Curriculum

Sara Gutierrez
Director of Early Learning
& Education

Deborah Matthys
Director of Social Emotional Learning

Danielle Adams
Director of School Counselors

Brooke Burczyk
Director of Early College
& Careers

Matthew Whiteman
Director of Student Services

Russell Mellon
Director of Information
Technology Services

Christopher King
Director of Technology

Felix Perry
Director of Support Services

Mathew McKee
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

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Member

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Member

Stuart B. Schultz
Member

William Longer
Board Attorney

Official Response

For Audit Period July 1, 2020 to June 30, 2022

Date of Exit Conference: January 31, 2023

January 31, 2023

State Board of Accounts
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FINANCIAL TRANSACTIONS AND REPORTING

RESPONSE:

The Treasurer will complete the School Corporation's Annual Financial Report (financial statement) in Gateway. The Business Manager will review the financial information entered by the Treasurer. Both will sign to document approval.

AVERAGE DAILY MEMBERSHIP (ADM)

RESPONSE:

The School Corporation produced supporting documentation for the Fall, 2021 ADM count that included the correct count of 97 virtual students. When IDOE revised the student count in December, 2021, the 97 virtual students were counted as in-person students for the new calculation.

Robert Glover Jr., Business Manager

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 January 31, 2023, with Dawn Powers, Treasurer; Peggy Buffington, Superintendent of Schools; Robert Glover, Jr., Business Manager; and Terry D. Butler, President of the School Board.