

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, 2020 to June 30, 2022



FILED
03/16/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Eric Kurtz Tammy Whisenant	07-01-20 to 06-30-22 07-01-22 to 06-30-23
Superintendent of Schools	Thomas Cripliver	07-01-20 to 06-30-23
President of the School Board	Larry Biggs Karen Curtis Greg Tenorio	07-01-20 to 12-31-20 01-01-21 to 08-09-21 08-10-21 to 06-30-23



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, 2020 to June 30, 2022, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 28, 2023, 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.

Report on 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) as a basis for designing 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, 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)

Report on 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 items 2022-001 and 2022-002.

Lake Station Community Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 28, 2023



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

Qualified and Unmodified Opinions

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, 2020 to June 30, 2022. 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.

Qualified Opinion on COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the 84.425 COVID-19 - Education Stabilization Fund for the period of July 1, 2020 to June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2020 to June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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)

Matter Giving Rise to Qualified Opinion on COVID-19 - Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the School Corporation did not comply with requirements regarding COVID-19 - Education Stabilization Fund, as described in item 2022-003 for Reporting. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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)

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance 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.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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, 2020 to June 30, 2022, and the related notes to the financial statement. We issued our report thereon dated February 28, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 28, 2023

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.

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LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2022	\$ -	\$ -	\$ -	\$ 185,605
School Breakfast Program							
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY2021	-	12,185	-	-
School Breakfast Program							
Total - School Breakfast Program				-	12,185	-	185,605
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY2022	-	-	-	514,274
Commodities			FY2021	-	73,510	-	-
Commodities			FY2022	-	-	-	90,389
After School Snack Program			FY2021	-	5,420	-	-
After School Snack Program			FY2022	-	-	-	1,444
Subtotal - National School Lunch Program				-	78,930	-	606,107
COVID-19 - National School Lunch Program							
SNP Emergency Fund	Indiana Department of Education	10.555	FY2021	-	-	-	48,292
School Lunch Program			FY2021	-	25,328	-	-
Total - National School Lunch Program				-	104,258	-	654,399
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY2021	-	404,649	-	-
Summer Food Service Program			FY2022	-	-	-	64,013
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2021	-	55,883	-	-
Summer Food Service Program							
Total - Summer Food Service Program for Children				-	460,532	-	64,013
Total - Child Nutrition Cluster				-	576,975	-	904,017
Total - Department of Agriculture				-	576,975	-	904,017
<u>Department of Energy</u>							
State Energy Program							
Propane School Bus Grant	Indiana Office of Energy Development	81.041	DE-EE0008647	-	20,000	-	-
Total - Department of Energy				-	20,000	-	-

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027A					
Special Education IDEA Part B 611			19611-045-PN01	-	797	-	-
Special Education IDEA Part B 611			20611-043-PN01	-	-	-	2,373
Special Education IDEA Part B 611			20611-045-PN01	-	65,122	-	-
Special Education IDEA Part B 611			21611-043-PN01	-	240,156	-	76,658
Special Education IDEA Part B 611			22611-043-PN01	-	-	-	260,362
Subtotal - Special Education Grants to States				-	306,075	-	339,393
Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)							
Special Education IDEA ARP Part B 611							
	Indiana Department of Education	84.027X					
			22611-043-ARP	-	-	-	25,820
Total - Special Education Grants to States				-	306,075	-	365,213
Special Education Preschool Grants							
	Indiana Department of Education	84.173A					
Special Education IDEA Part B 619			20619-045-PN01	-	1,823	-	-
Special Education IDEA Part B 619			21619-043-PN01	-	5,201	-	2,167
Special Education IDEA Part B 619			22619-043-PN01	-	-	-	5,034
Subtotal - Special Education Preschool Grants				-	7,024	-	7,201
Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)							
Special Education IDEA ARP Part B 619							
	Indiana Department of Education	84.173X					
			22619-43-ARP	-	-	-	1,869
Total - Special Education Preschool Grants				-	7,024	-	9,070
Total - Special Education Cluster (IDEA)				-	313,099	-	374,283
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010					
Title I			S010A190014	-	275,179	-	-
Title I			S010A200014	-	152,168	-	184,562
Total - Title I Grants to Local Educational Agencies				-	427,347	-	184,562
English Language Acquisition State Grants							
	Indiana Department of Education	84.365					
Title III			S365A180014	-	11,036	-	-
Title III			S365A190014	-	10,021	-	2,789
Total - English Language Acquisition State Grants				-	21,057	-	2,789

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2021 and 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-21	Total Federal Awards Expended 06-30-21	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A180013	-	31,222	-	-
Title II Part A			S367A190013	-	31,848	-	10,306
Total - Supporting Effective Instruction State Grants				-	63,070	-	10,306
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A180015	-	2,942	-	-
Title IV			S424A190015	-	23,364	-	10,385
Total - Student Support and Academic Enrichment Grants				-	26,306	-	10,385
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
GEER Grant		84.425C	S425C200018	-	202,500	-	-
ESSER / CARES Act		84.425D	S425D200013	-	223,526	-	-
ESSER III		84.425D	S425D210013	-	-	-	262,596
Total - COVID-19 - Education Stabilization Fund				-	426,026	-	262,596
Total - Department of Education				-	1,276,905	-	844,921
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Family Social Services Administration	93.778					
Medicare Reimbursement			FY2022	-	-	-	41,777
Medicare Reimbursement			FY2021	-	13,282	-	-
Total - Medical Assistance Program				-	13,282	-	41,777
Total - Medicaid Cluster				-	13,282	-	41,777
Total - Department of Health and Human Services				-	13,282	-	41,777
Total federal awards expended				\$ -	\$ 1,887,162	\$ -	\$ 1,790,715

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, 2021 and 2022. 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. Northwest Indiana Special Education Cooperative

The School Corporation is a member of the Northwest Indiana Special Education Cooperative (Cooperative). As a result, some of the activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is presented in the financial statement of the Cooperative's fiscal agent.

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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Unmodified Qualified

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 2022-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

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 cash and investments, and financial close and reporting.

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

Cash and Investments (Bank Reconciliations)

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 \$16,757 and \$26,708, as of June 30, 2021 and 2022, respectively. 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.

Financial Close and 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. . . ."

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected on the monthly bank reconciliations. The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected on the financial statement.

Views of Responsible Officials

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

FINDING 2022-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. One employee prepared and submitted the SEFA without evidence of a review or oversight to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit contained the following errors:

1. The Summer Food Service Program for Children expenditures were understated by \$460,532.
2. Several additional grants were incorrectly reported, which resulted in the misstatement of expenditures by \$103,360, in total.
3. Other errors included incorrect program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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:

LAKE STATION COMMUNITY SCHOOLS
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(Continued)

"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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories :
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

Management had not established an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425C
Federal Award Number and Year (or Other Identifying Number): S425C200018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

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

The School Corporation completed three annual Elementary and Secondary School Emergency Relief (ESSER) and two Governor's Emergency Education Relief (GEER) annual Data Collection reports (Reports) during the audit period. Data on one report, the GEER I, Year 1 annual report, did not agree to unit's ledger. The expenditures reported on the GEER I, Year 1 annual report were \$202,500; however, the School Corporation had no expenditures from the GEER fund during the year 1 reporting period.

The lack of internal controls and noncompliance were isolated to the GEER I, Year 1 annual report.

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). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

Cause

Management had not established a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could result in the loss of future federal funds to the School Corporation.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

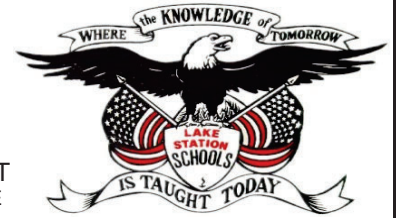
LAKE STATION COMMUNITY SCHOOLS

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

CHRISTINE PEPA
ASSISTANT SUPERINTENDENT

TAMMY WHISENANT
DIRECTOR OF FINANCE



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Subject: Financial Transactions

Fiscal years in which the finding initially occurred: 2018-2020

Status of Audit Finding: In progress

Reason of recurrence: Unknown, but we are working on finding and resolving the issues and or procedures causing the discrepancies.

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.

Tammy Whisenant

Director of Finance

Lake Station Community Schools

219-962-1159 Ext. 108

twhisenant@lakes.k12.in.us

BOARD OF SCHOOL TRUSTEES

Larry R. Biggs • Karen E. Curtis • Gregory S. Tenorio • David E. Wright • Kevin Music

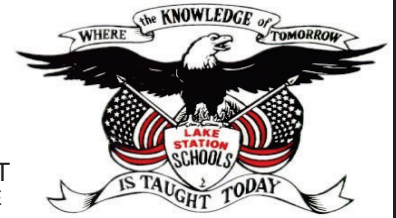
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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

CHRISTINE PEPA
ASSISTANT SUPERINTENDENT

TAMMY WHISENANT
DIRECTOR OF FINANCE



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002

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

Fiscal years in which the finding initially occurred: 2018-2019

Status of Audit Finding: Corrected

Corrective action included for Eligibility:

Real time data reporting no longer exists for the STN Application website. The reporting is now completed through the Data Exchange Application on the IDOE website. The reporting is compiled through our Technology Department from our student-based software. Our Technology Instructional Coach verifies accuracy of information from each school building secretary. Technology Coach reports data to Superintendent and Director of Finance for verification and submission of data.

Tammy Whisenant

Director of Finance

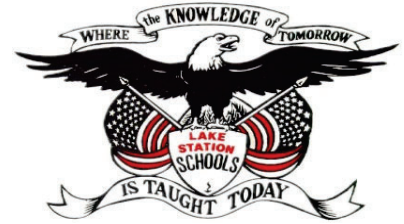
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BOARD OF SCHOOL TRUSTEES

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Corrective Action Plan

FINDING 2022-001

Subject: Financial Transactions and Reporting

Person Responsible for Corrective Action:
Tammy Whisenant – 219-962-1159

Views of Responsible Official:

We concur with the finding. I have viewed and acknowledge the discrepancies listed. However, as I am new to my position, I am unable to determine the cause of the discrepancies for the Cash and Investments finding.

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.
- 5) Implement a daily/monthly fund ledger balance sheet to compare to the software fund balance report, and bank reconciliation. This will allow any discrepancies to be acknowledged sooner.
- 6) The Annual Financial Report financial information will properly be reviewed prior to preparation and submission in Gateway.
- 7) A review of current assignments and segregating duties to reduce risks and improve internal controls.
- 8) Improved internal controls and monitoring.

LAKE STATION COMMUNITY SCHOOLS

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February 28, 2023



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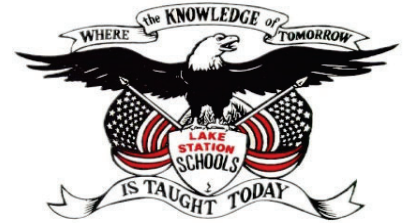
Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by April 30, 2023; with an implementation to occurring by June 30, 2023.

Tammy Whisenant, Director of
Finance/Treasurer
Lake Station Community Schools
February 28, 2023

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Corrective Action Plan

FINDING 2022-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Person Responsible for Corrective Action:
Tammy Whisenant – 219-962-1159

Views of Responsible Official:

We concur with the finding. I have viewed and acknowledge the discrepancies listed. However, as I am new to my position, I am unable to determine the cause of the discrepancies. Personnel responsible for these areas assumed responsibilities just after this audit period commenced.

Description of Corrective Action Plan:

The corrective action will include:

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

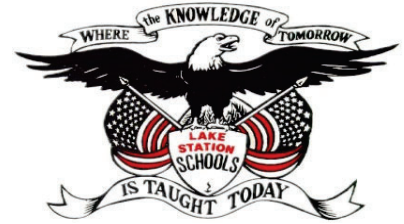
Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by April 30, 2023; with an implementation to occurring by June 30, 2023.

Tammy Whisenant, Director of
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Lake Station Community Schools
February 28, 2023

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Corrective Action Plan

FINDING 2022-003

Subject: COVID-19 – Education Stabilization Fund - Reporting

Person Responsible for Corrective Action:
Tammy Whisenant – 219-962-1159

Views of Responsible Official:

We concur with the finding. I have viewed and acknowledge the discrepancies listed. However, as I am new to my position, I am unable to determine the cause of the discrepancies. Personnel responsible for these areas assumed responsibilities just prior to and/or after this audit period commenced.

Description of Corrective Action Plan:

The corrective action will include:

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

Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by April 30, 2023; with an implementation to occurring by June 30, 2023.

Tammy Whisenant, Director of
Finance/Treasurer
Lake Station Community Schools
February 28, 2023

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/>.