

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE STATION COMMUNITY SCHOOLS

LAKE COUNTY, INDIANA

July 1, 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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Lake Station Community Schools (School Corporation), for the period from July 1, 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

February 28, 2023

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B52400 and B56945.

Condition and Context

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 compare 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.

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
AUDIT RESULTS AND COMMENTS
(Continued)

FINANCIAL CLOSE AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial close and reporting. Segregation of duties for financial reporting had not been properly designed or implemented to prevent, or detect and correct, errors.

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:

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An integral part of the control activity component is segregation of duties. . . .

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AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation did not offer a virtual program for fiscal year 2021-2022. However, for the Fall 2021 and Spring 2022 count dates, the School Corporation records and the tuition support worksheet classified three students as virtual students, but the Membership Report (DOE-ME) classified all students as brick and mortar.

Criteria

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.

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (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."

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)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplementary, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation was not in compliance as follows:

Leases and Debt

The School Corporation did not include the Common School Fund Loans in the leases and debt information entered into Gateway. This resulted in the understatement of the Ending Principal Balance and the Principal and Interest Due Within One Year by \$6,148,947 and \$1,037,424, respectively.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information.

Grants

The grant information entered into Gateway contained the following errors:

1. The Summer Food Service Program for Children was 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.

Adjustments were proposed, accepted by the School Corporation, and made to the Grant Schedule, which is the source of the Schedule of Expenditures of Federal Awards.

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that were required to be uploaded monthly include the bank reconciliements, bank statements, outstanding check lists, approved School Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end investments, detail of receipt activity, detail of disbursement activity, approved salary schedule for noncertified employees and amendments, annual vendor history report, annual funds ledger, annual payroll history report, and school lunch prepaid account balance report.

The School Corporation did not comply with the Amended State Examiner Directive 2018-1 and failed to upload any of the required monthly and annual files on the Indiana Gateway for Government Units financial reporting system for the audit period.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar years end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifonline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents. (Amended State Examiner Directive 2018-1)

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORTS

Condition and Context

The School Corporation's Annual Financial Reports (AFR) were not filed electronically by their due dates. The AFR for fiscal years ending June 30, 2021 and 2022, were not filed electronically until October 4, 2021, and October 12, 2022, which was 35 and 44 days past the due dates, respectively.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

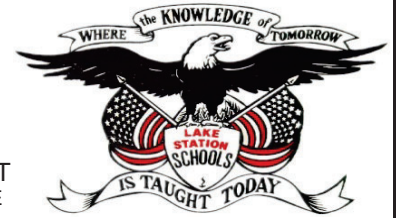
LAKE STATION COMMUNITY SCHOOLS

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

CHRISTINE PEPA
ASSISTANT SUPERINTENDENT

TAMMY WHISENANT
DIRECTOR OF FINANCE



OFFICIAL RESPONSE

March 10, 2023

Indiana State Board of Accounts
302 West Washington St. Room E 418
Indianapolis, IN 46204-2765

RE: **2020-2022 State Board of Accounts Audit**

Dear Auditors:

Thank you for your time and examination of the financial records and documents of the Lake Station Community Schools for the two (2) year period from July 1, 2020 through June 30, 2022.

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

A daily and monthly bank fund ledger will be implemented to determine when and how any discrepancies occur and will be corrected in a timely manner.

Sincerely,

Tammy Whisenant
Director of Finance-Treasurer
Lake Station Community Schools
219-962-1159 x108
twhisenant@lakes.k12.in.us

BOARD OF SCHOOL TRUSTEES

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

LAKE STATION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2023, with Tammy Whisenant, Treasurer; Thomas Cripliver, Superintendent of Schools; Christine Pepa, Assistant Superintendent of Schools; Greg Tenorio, President of the School Board; Kevin Music, Secretary of the School Board; and Karen Curtis, School Board member.