

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

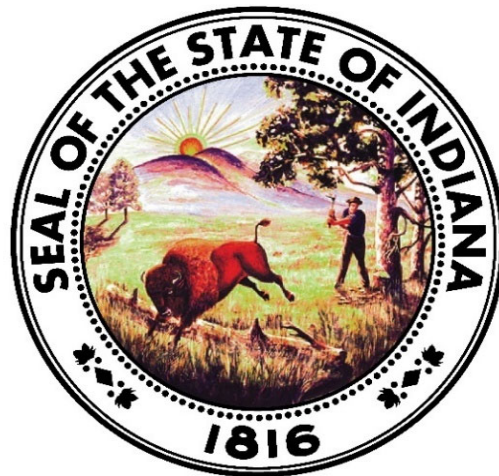
SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF MUNSTER

LAKE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherie Breitenbach	07-01-20 to 06-30-21
	Linda Zaborowski	07-01-21 to 12-06-22
	Jessica Espinoza	12-07-22 to 06-30-23
Superintendent of Schools	Jeffry Hendrix	07-01-20 to 06-30-22
	Bret Heller	07-01-22 to 06-30-23
President of the School Board	Ingrid Schwarz Wolf	07-01-20 to 12-31-20
	John J. Doherty	01-01-21 to 12-31-21
	Ingrid Schwarz Wolf	01-01-22 to 12-31-22
	John Castro	01-01-23 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School Town of Munster (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

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

Condition and Context

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

An oversight and review process had been designed and implemented 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). However, the control was determined to not be effective as it did not prevent, or detect and correct, the following errors:

1. An investment redemption was incorrectly reported as a receipt. This resulted in the overstatement of the 2018 Construction fund receipts and cash and investment balances by \$6,729,885.
2. A bank to bank transfer was incorrectly reported as a receipt and disbursement. This resulted in the overstatement of the Prepaid School Lunch Food fund receipts and disbursements by \$927,876.

Audit adjustments were proposed, approved by the School Corporation, and made to 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 5-11-1-4(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](#)."

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and supplementary information are required to be reported annually on the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation was not in compliance as follows:

Combining Schedule of Receipts, Disbursements, and Cash and Investment Balance (Combining Schedule)

The financial information entered into Gateway, which is the source of the Combining Schedules, contained the following errors:

1. An investment redemption was incorrectly reported as a receipt. This resulted in the overstatement of the 2018 Construction fund receipts and cash and investment balances by \$6,729,885.
2. A bank to bank transfer was incorrectly reported as a receipt and disbursement. This resulted in the overstatement of the Prepaid School Lunch Food fund receipts and disbursements by \$927,876.

Adjustments were proposed, accepted by the School Corporation, and made to Combining Schedules presented in the Financial Statement Audit Report.

Schedule of Leases and Debt

The School Corporation inaccurately reported the lease payment totals with the Munster School Building Corporation, which resulted in the understatement of the annual lease payments by \$2,826,500. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report.

Grant Schedule

The Grant Schedule entered into Gateway contained the following errors:

1. The COVID-19 - Education Stabilization Fund expenditures were understated by \$492,466.
2. There were numerous other grant expenditures that were understated in aggregate by \$285,857.
3. Multiple program names and identifying numbers were not reported correctly.

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.

SCHOOL TOWN OF MUNSTER
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](#)."

PREPAID LUNCH ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B52351 and B56836.

Condition and Context

Monthly reconciliations of all the students' individual meal account balances to the Prepaid School Lunch fund (clearing account) were not performed. The balance of the Prepaid School Lunch fund exceeded all the students' individual meal account balances by \$36,699 as of June 30, 2022.

Criteria

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2023, with Jessica Espinoza, Treasurer; William Melby, Director of Financial Operations; Bret Heller, Superintendent of Schools; and Ingrid Schwarz Wolf, Vice President of the School Board.