

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
PORTER COUNTY, INDIANA  
July 1, 2022 to June 30, 2024



**FILED**

03/12/2025



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Internal Controls - Compliance .....	4
Average Daily Membership (ADM) - Lack of Records.....	4-5
Monthly and Annual Gateway Uploads .....	5-6
Annual Financial Report .....	6-8
Capital Assets .....	8
School Food Systems - Prepaid Food.....	8-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly Hindes	07-01-22 to 06-30-25
Superintendent of Schools	Jeffery Brooks	07-01-22 to 06-30-25
President of the School Board	Gerald Michalak John (Jeff) Nilsen	07-01-22 to 01-09-23 01-10-23 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

This report is supplemental to the audit report of the Metropolitan School District of Boone Township (School Corporation), for the period from July 1, 2022 to June 30, 2024. 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 the 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/](http://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

March 3, 2025

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Average Daily Membership (ADM) - Lack of Records
- Monthly and Annual Gateway Uploads
- Annual Financial Report
- Capital Assets
- School Food Systems - Prepaid Food

These internal deficiencies are further detailed in the comments below.

*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. . . ."

**AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS**

*Condition and Context*

Internal controls were not in place to ensure that proper documentation was retained for the verification of a student as an eligible pupil. Additionally, the School Corporation was not following its own adopted Universal Student Handbook. The following instances of noncompliance related to the handbook were noted:

- The School Corporation was unable to provide documentation for proof of residency for 20 of the 28 students tested.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS  
(Continued)

- The School Corporation was unable to provide documentation that 1 student met the age requirement.

*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.
- (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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**MONTHLY AND ANNUAL GATEWAY UPLOADS**

*Condition and Context*

The School Corporation did not have internal controls to ensure compliance with upload requirements.

Amended State Examiner Directive 2018-1 requires monthly and annual documents of governmental unit information to be uploaded to the Indiana Gateway for Government Units financial reporting system application. The monthly documents must be uploaded by the 15<sup>th</sup> of the second month following the month they are for, and annual documents must be uploaded by August 29. The files and governmental unit information that were required to be uploaded monthly include the bank reconcilements, bank statements, outstanding check lists, approved School Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

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METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 properly upload annual documents as follows:

- The School Corporation did not upload any of the 12 required annual Gateway uploads for the fiscal year ending June 30, 2023.
- The School Corporation did not upload 6 of the 12 required annual Gateway uploads for the fiscal year ending June 30, 2024.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

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. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021 and Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024 and the 2023 annual uploads due March 1, 2024)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B60797, entitled *ANNUAL FINANCIAL REPORT - SCHEDULE OF CAPITAL ASSETS*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, other information, and the Schedule of Expenditures of Federal Awards (SEFA). Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR, which resulted in the following errors:

*Capital Assets*

Amounts were reported in the AFR for the value of the capital assets owned by the School Corporation totaling \$77,587,325 and \$79,183,383, at June 30, 2023 and 2024, respectively. The amounts reported in the AFR were not supported by a complete, detailed listing.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS  
(Continued)

The AFR is the basis for the Schedule of Capital Asset presented as Other Information in the Financial Statement Audit Report. Due to the material errors noted, the School Corporation approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report of the School Corporation.

*Leases and Debt*

The AFR contained the following errors related to leases and debt information:

- The School Corporation erroneously included the Amended Pension Bonds 2004, the Construction Bonds 2018, and the GOB Series 2022 as leases when they are debt instruments, thereby overstating the annual lease payments by \$918,424 for the year ended June 30, 2023. This also resulted in the ending principal balance and principal due within one year for these debts to be understated by \$1,426,005 and \$916,005, respectively, for the year ended June 30, 2023.
- The School Corporation erroneously included the GOB Series 2022 as a lease when it is a debt instrument and did not include the Mortgage Series 2024 lease, resulting in an overall overstatement of \$506,000 for the annual lease payments related to these two items for the year ended June 30, 2024. Due to incorrectly reporting the GOB Series 2022 as a lease rather than debt, the ending principal balance and principal due within one year for this debt was understated by \$825,000 and \$415,000, respectively, for the year ended June 30, 2024.
- The School Corporation overstated the Mortgage Series 2020A annual lease payment by \$475,305 for the year ended June 30, 2024.
- The School Corporation omitted the GOB Series 2023 debt resulting in an understatement of ending principal balance and principal due within one year for this debt by \$1,070,000 and \$695,000, respectively, for the year ended June 30, 2024.
- The Common School Loan #A0517 ending principal balance was understated by \$150,000 for the year ended June 30, 2024.

The information submitted in the AFR is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the School Corporation. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt and to the information within the AFR.

*Grants*

The School Corporation reported various grants which had individually immaterial errors, which resulted in a combined material misstatement of \$90,181 and \$160,848 for the years ended June 30, 2023 and 2024, respectively.

The submitted AFR information is used to generate the SEFA presented in the Federal Compliance Audit Report of the School Corporation. Therefore, these errors were also presented in the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the grant information within the AFR.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
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 as set forth in the uniform compliance guidelines. 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](#)."

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place to ensure a complete and accurate capital asset listing was maintained, and, therefore, the School Corporation did not maintain a complete and accurate detailed listing of capital assets. In addition, the School Corporation did not complete a physical inventory of capital assets at least every two years as required.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**SCHOOL FOOD SYSTEMS - PREPAID FOOD**

*Condition and Context*

The School Corporation was not regularly performing reconciliements between the Prepaid School Lunch Accounts fund and the subsidiary records, and, therefore, the Prepaid School Lunch Accounts fund was not in agreement with subsidiary records of the student accounts. The balance of the Prepaid School Lunch Accounts fund exceeded the individual meal account balances by \$35,163 and \$6,792 at June 30, 2023, and June 30, 2024, respectively.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

The SBOA opinion is that money a student puts into their individual meal account (prepaid food account) 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 it is in the student's individual account, the balance should not be included in the School Lunch fund. It is required that the School Corporation set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, the School Corporation should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2025, with Beverly Hindes, Treasurer; Jeffery Brooks, Superintendent of Schools; and Chad Franzman, Vice President of the School Board.