

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

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
UNION TOWNSHIP SCHOOL CORPORATION  
PORTER COUNTY, INDIANA  
July 1, 2022 to June 30, 2024



**FILED**

02/17/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Philip McKelvey Allen Cochran	07-01-22 to 06-30-23 07-01-23 to 06-30-25
Superintendent of Schools	John Hunter	07-01-22 to 06-30-25
President of the School Board	Michael Simatovich Robert Tichy Lori McLaughlin Leah Pagone	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 06-30-25



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State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE UNION TOWNSHIP SCHOOL  
CORPORATION, PORTER COUNTY, INDIANA

This report is supplemental to the audit report of the Union Township School Corporation (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

January 30, 2025

UNION TOWNSHIP SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Annual Financial Report
- Average Daily Membership (ADM)
- Capital Assets

These internal control 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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B60710, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation had not established effective internal controls to ensure the accuracy, completeness, and timeliness of the information submitted in the AFR, which resulted in the following errors:

UNION TOWNSHIP SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Capital Assets*

The AFR for the year ended June 30, 2023 and 2024, included capital asset amounts of \$59,984,622 and \$89,076,968, respectively. However, we could not determine the validity of the amounts reported since accurate supporting documentation was not provided for review. The School Corporation provided a detailed listing which included totals; however, it was out of date and did not include activity for the audit period.

The AFR is the basis for the Schedule Capital Assets presented as Other Information in the Financial Statement Audit Report of the School Corporation. 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.

*Grants*

The Grant Schedule within the AFR included the following errors:

- The Child Nutrition Cluster expenditures were understated by \$166,385 and \$8,106 for fiscal years ending June 30, 2023 and 2024, respectively. In addition, the Commodities reported at June 30, 2023, were overstated by \$35,779.
- The Title I Grants to Local Educational Agencies was overstated by \$50,018 for fiscal year ending June 30, 2023.

The submitted AFR information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report of the School Corporation. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the grant information within the AFR.

*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](#)."

**AVERAGE DAILY MEMBERSHIP (ADM)**

The same comment appeared in prior Report B60710.

*Condition and Context*

The School Corporation had an internal control process in place over Average Daily Membership (ADM) counts; however, it was deemed ineffective due to the School Corporation's lack of supporting documentation. Due to the ineffective internal control process, some students lacked supporting documentation to verify that they were properly enrolled. This noncompliance is noted below:

UNION TOWNSHIP SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Brick and Mortar*

We were unable to determine that 1 of 62 students tested was an eligible pupil due to lack of supporting documentation. The School Corporation did not retain documentation of residency for that 1 student.

*Virtual*

We were unable to determine that 1 of 6 students tested was an eligible pupil due to lack of supporting documentation. The School Corporation did not retain enrollment or residency information for that 1 student.

*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)

**CAPITAL ASSETS**

*Condition and Context*

The School Corporation did not properly maintain a detailed listing of capital assets. In addition, the School Corporation had not performed a complete physical inventory within the last 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)

UNION TOWNSHIP SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2025, with Allen Cochran, Treasurer; Leigh Barnes, Associate Superintendent of Schools; and Kevin Ribordy, School Board member.