

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

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WESTERN SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/11/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance	Kyle Zahn	07-01-22 to 06-30-25
Superintendent of Schools	Mark DuBois	07-01-22 to 06-30-25
President of the School Board	Lynn Hale Scott Gaskins	07-01-22 to 01-06-25 01-07-25 to 06-30-25



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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 WESTERN SCHOOL CORPORATION, HOWARD 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 Western School Corporation (School Corporation), for the period of July 1, 2022 to June 30, 2024, 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 27, 2025, 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 item 2024-001, 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 item 2024-001.

Western School Corporation's 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 27, 2025



Paul D. Joyce, CPA
State Examiner

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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 WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Western School Corporation's (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, 2022 to June 30, 2024. 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.

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 major federal programs for the period of July 1, 2022 to June 30, 2024.

Basis for Opinion on Each Major Federal Program

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.

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.

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)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these 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.

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 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. 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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002, to be material weaknesses.

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, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated February 27, 2025, 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 27, 2025

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.

WESTERN SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

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 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY2023	\$ -	\$ 213,301	\$ -	\$ -
School Breakfast Program			FY2024	-	-	-	166,206
Total - School Breakfast Program				-	213,301	-	166,206
National School Lunch Program							
Supply Chain Grant	Indiana Department of Education	10.555					
Supply Chain Grant			FY2023	-	127,477	-	-
National School Lunch Program			FY2024	-	-	-	80,424
National School Lunch Program			FY2023	-	756,548	-	-
National School Lunch Program			FY2024	-	-	-	546,247
Commodities			FY2023	-	89,293	-	-
Commodities			FY2024	-	-	-	107,345
Total - National School Lunch Program				-	973,318	-	734,016
Total - Child Nutrition Cluster				-	1,186,619	-	900,222
Child Nutrition Discretionary Grants Limited Availability							
School Lunch Equipment Grant	Indiana Department of Education	10.579	63181	-	17,000	-	-
Total - Department of Agriculture				-	1,203,619	-	900,222
Department of Education							
Special Education Cluster (IDEA)							
COVID-19 - Special Education Grants to States	Indiana Department of Education	84.027X					
FY 2022 IDEA ARP Grant			22611-033-ARP	-	103,201	-	30,595
Special Education Grants to States							
FY 2021 Part B 611 Special Education Grant	Indiana Department of Education	84.027					
FY 2022 Part B611 Special Education Grant			21611-033-PN01	-	10,802	-	-
FY 2023 Part B 611 Special Education Grant			22611-033-PN01	-	345,628	-	8,211
FY 2024 Part B 611 Special Education Grant			23611-033-PN01	-	122,977	-	458,909
			24611-033-PNO1	-	-	-	127,771
Subtotal - Special Education Grants to States				-	479,407	-	594,891
Total - Special Education Grants to States				-	582,608	-	625,486
COVID-19 - Special Education Preschool Grants							
FY 2022 IDEA ARP 619 Grant Totals	Indiana Department of Education	84.173X					
			22619-033-ARP	-	6,217	-	-

WESTERN SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

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 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2022 Federal Preschool 619 Grant			22619-033-PN01	-	935	-	-
FY 2023 Federal Preschool 619 Grant			23619-033-PN01	-	-	-	17,849
FY 2024 Federal Preschool 619 Grant			24619-033-PN01	-	-	-	15,862
Subtotal - Special Education Preschool Grants				-	935	-	33,711
Total - Special Education Preschool Grants				-	7,152	-	33,711
Total - Special Education Cluster (IDEA)				-	589,760	-	659,197
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2021-2022			S010A210014	-	28,113	-	-
Title I 2022-2023			S010A220014	-	220,374	-	35,878
Title I 2023-2024			S010A230014	-	-	-	226,693
Total - Title I Grants to Local Educational Agencies				-	248,487	-	262,571
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Title II Part A			S367A210013	-	40,557	-	13,626
Title II FY 22			S367A220013	-	-	-	50,129
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	40,557	-	63,755
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV FY 21			S424A210015	-	-	-	4,171
Title IV FY 22			S424A220015	-	-	-	15,310
Total - Student Support and Academic Enrichment Program				-	-	-	19,481
COVID-19 - Education Stabilization Fund	Indiana Department of Education						
ESSER III		84.425U	S425U210013	-	443,020	-	496,920
ESSRF CARES		84.425D	S425D200013	-	25,817	-	-
ESSER II CRRSA		84.425D	S425D210013	-	80,476	-	55,120
Total - COVID-19 - Education Stabilization Fund				-	549,313	-	552,040
Total - Department of Education				-	1,428,117	-	1,557,044
Total federal awards expended				\$ -	\$ 2,631,736	\$ -	\$ 2,457,266

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

WESTERN SCHOOL CORPORATION
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 award activity of the School Corporation under programs of the federal government for the years ended June 30, 2023 and 2024. 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable 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. Kokomo Area Special Education Cooperative

The School Corporation is a member of the Kokomo Area Special Education Cooperative and serves as the fiscal agent. As a result, some of the activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations, as appropriate.

WESTERN SCHOOL CORPORATION
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 Unmodified

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 2024 -001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

Condition and Context

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

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Although one employee prepared and entered the federal award information into the AFR, and another employee reviewed and approved the information prior to submission, the review process was not effective and did not detect and correct errors prior to submission.

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

- The Child Nutrition Cluster Commodities were overstated for fiscal years 2022-2023 and 2023-2024 by \$153,026 and \$151,333, respectively.
- The Special Education Cluster grants included errors for 2022-2023 totaling \$321,629.
- The Title I grant was understated by \$220,374 in 2022-2023.
- Several additional grants had individually immaterial errors totaling \$300,660.

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:

"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:

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 Financial statements. . . ."

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.
- (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."

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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](#)."

Cause

Management of the School Corporation had not established a proper system of internal controls that would have ensured proper reporting of the SEFA. The failure to establish an effective internal control system enabled material errors to go undetected.

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 2024-002

Subject: Child Nutrition Cluster (IDEA) - Procurement
Federal Agency: Department of Education
Federal Programs: School Breakfast Program, National School Lunch Program
Assistance Listings Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2023, FY2024
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

Federal regulations allow for informal procurement methods when the value of the procurement for goods or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources. If it is determined a single source provider can be used for a small purchase, documentation must be retained supporting the determination.

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Two vendors that exceeded the small purchase threshold during the audit period were selected for testing. In both cases, the School Corporation was unable to provide documentation of three quotes obtained from vendors for the specific purchases that were made.

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 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures , consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement compliance requirement over small purchases. The School Corporation indicated they originally did not intend to spend that much with those vendors, but due to circumstances, ended spending over the small purchase threshold.

WESTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. As a result, adequate documentation was not retained for procurements that fell within the small purchase threshold. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure all required documentation is retained and provided for small purchases.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

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FINDING 2022-001

Fiscal year in which the finding initially occurred: FY22
Current Audit Period: FY23 & FY24

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding:

The School Corporation had not established effective internal controls over the federal award information entered into 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. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Status of Audit Finding: Partially Corrected

Response Comments: It is noted, the vast majority of errors detailed as part of the FY 23 and 24 audits were on the SEFA covering fiscal year 2023. After this time, it is evident that the experience gained and strengthening of our internal controls reduced the errors to only two lines for fiscal year 2024. Moving forward, once the SEFA has been completed by the Director of Finance, but prior to final submission, another applicable staff member (i.e., Deputy Treasurer, Superintendent, Director of Exceptional Learners) will review the supporting documentation and crosswalk it with the information that is being submitted on the SEFA. Prior to completing the next SEFA for fiscal year 2025 the Director of Finance and Food Service Director will review the process for determining commodities purchased for the Child Nutrition Cluster to ensure the correct commodities amount is being reported.

WESTERN SCHOOL CORPORATION

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FINDING 2022-002

Fiscal year in which the finding initially occurred: FY22
Current Audit Period: FY23 & FY24

Finding Subject: Financial Transactions

Summary of Finding:

There were deficiencies in the internal control system of the School Corporation related to receipts and other financing sources. The School Corporation had not properly implemented internal controls to ensure that receipts and other financing sources were properly recorded. There was no evidence of an oversight or review process.

Status of Audit Finding: Fully Corrected

Response Comments:

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FINDING 2022-003

Fiscal year in which the finding initially occurred: FY22
Current Audit Period: FY23 & FY24

Finding Subject: COVID-19 - Education Stabilization Fund - Equipment and Real Property Management

Summary of Finding:

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 Equipment and Real Property Management compliance requirement. The School Corporation hired a third-party to complete capital asset records every two years. The third-party updated the capital assets records through the school year ended June 30, 2021; however, neither the third-party, nor the School Corporation maintained the records beyond that year.

Status of Audit Finding: Fully Corrected

Response Comments: NA

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FINDING 2022-004

Fiscal year in which the finding initially occurred: FY22
Current Audit Period: FY23 & FY 24

Finding Subject: COVID-19 - Education Stabilization Fund - Reporting

Summary of Finding:

An effective internal control system was not designed, or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation had not designed, or implemented a system of internal control to ensure that the annual Elementary and Secondary School Emergency Relief (ESSER) annual data reports were complete and accurately submitted. The reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors. Additionally, for one of seven key line items tested, the School Corporation could not provide supporting documentation. The lack of supporting documentation for the Full Time Equivalent (FTE) key line item on the ESSER I, Year 1, annual report prevented us from verifying the accuracy of the line item.

Status of Audit Finding: Fully Corrected

Response Comments: NA

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FINDING 2022-005

Fiscal year in which the finding initially occurred: FY22
Current Audit Period: FY23 & FY24

Finding Subject: COVID-19 - Education Stabilization Fund - Special Tests and Provisions - Wage Rate Requirements

Summary of Finding:

An effective internal control system was not designed or implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions- Wage Rate Requirements compliance requirement. Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed. The School Corporation had the required clause in the contract and received the payroll; however, the School Corporation did not have adequate policies or procedures to ensure that the required payrolls were submitted and reviewed for each week in which contract work was performed.

Status of Audit Finding: No Further Action Warranted

Response Comments: Since the prior finding has been issued, there were no contracts that the wage rate applied and we are no longer receiving ESSER funding.

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FINDING 2024-001

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Kyle Zahn

Contact Phone Number and Email Address: (765) 883-5576 kzahn@western.k12.in.us

Views of Responsible Officials:

We concur with the findings. It is noted, the vast majority of errors detailed were on the SEFA covering fiscal year 2023. After this time, it is evident that the experience gained and strengthening of our internal controls reduced the errors to only two lines for fiscal year 2024. Further, it noted that for fiscal year 2024 we had to combine four grants (i.e., ESSER III, Excellence in Education I, Excellence in Education II, AI Pilot) into one line on the SEFA. Our internal documents show that we had the correct receipts total but in the complicated process of transferring this number to the SEFA platform the wrong number was recorded.

Description of Corrective Action Plan:

Once the SEFA has been completed by the Director of Finance, but prior to final submission, another applicable staff member (i.e., Deputy Treasurer, Superintendent, Director of Exceptional Learners) will review the supporting documentation and crosswalk it with the information that is being submitted on the SEFA. Prior to completing the next SEFA for fiscal year 2025 the Director of Finance and Food Service Director will review the process for determining commodities purchased for the Child Nutrition Cluster to ensure the correct commodities amount is being reported.

Anticipated Completion Date: August 31, 2025

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FINDING 2024-002

Finding Subject: Child Nutrition Cluster - Procurement

Contact Person Responsible for Corrective Action: Kyle Zahn & Jack Lazar

Contact Phone Number and Email Address: (765) 883-5576

kzahn@western.k12.in.us jlazar@western.k12.in.us

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

At a coming leadership meeting the Finance Director will review procurement rules and procedures with the leadership team. Additionally, the Director of Finance and Food Service Director will conduct an audit of the vendors used for the Child Nutrition Cluster and revise as necessary current systems for identifying vendors who exceed \$50,000 during a school year.

Anticipated Completion Date: March 31, 2025

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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/>.