

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

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

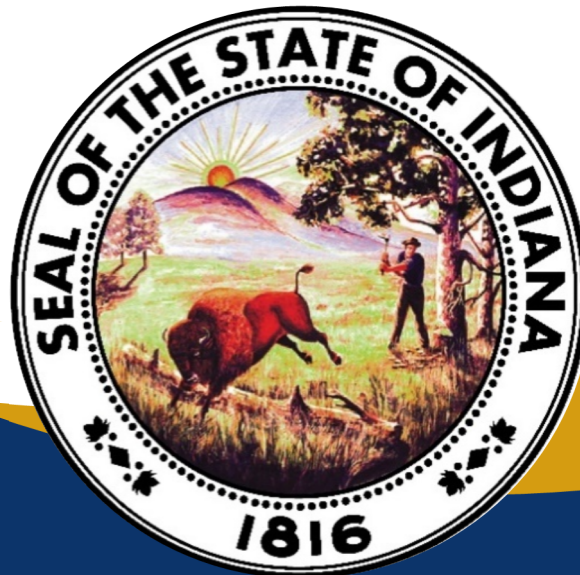
SUPPLEMENTAL COMPLIANCE REPORT

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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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to the audit report of the Western 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/.

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 27, 2025

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CLASSIFICATION OF RECEIPTS

This same comment appeared in a Management Letter addressed to the Treasurer for the audit period ending June 30, 2022.

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure receipts were properly classified and reported. The School Corporation incorrectly classified 17 of 17 receipt transactions tested as Other Financing Sources and Uses - Sale of Capital Assets, totaling \$386,954. The source of these receipts were from refunds, reimbursements, and other miscellaneous items, but were not from the sale of capital assets.

Criteria

An account is a descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference such as source, object or purpose. In the Master Chart of Receipt Accounts in this manual, the Receipt Accounts are classified as Revenue Receipts, Nonrevenue Receipts and Incoming Transfers. The account numbers in the 1000 through 4000 series designate Revenue Receipts, those in the 5000 through 6000 series designated Other Financing Sources.

The Revenue Receipts are further classified as Revenue From Local Sources, Revenue From Intermediate Sources, Revenue From State Sources and Revenue From Federal Sources. These classifications are basically in accordance with the pattern of account titles and numbers used by the U.S. Department of Education.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60682, entitled *FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS*.

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure information reported in the Annual Financial Report (AFR) was accurate. Financial and other information are required to be entered annually into the AFR via the Indiana Gateway for Government Units financial reporting system. The grant amounts reported in the AFR for fiscal years ending June 30, 2023, and June 30, 2024, were not accurate.

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](#)."

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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PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B60682.

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure compliance with the prepaid meal accounts requirements.

The School Corporation's Prepaid School Lunch Fund, Fund 8400, was not in agreement with subsidiary records of the student accounts for fiscal years 2022-2023 and 2023-2024. Subsidiary records of the student accounts reflected a balance of \$27,886 and \$26,347 at June 30, 2023, and June 30, 2024, respectively. The Prepaid School Lunch Fund balance at June 30, 2023, and June 30, 2024, was \$55,325 and \$52,787, respectively. The School Corporation also was not performing monthly reconciliations of the Prepaid School Lunch Fund with the total of the individual meal accounts as required.

WESTERN SCHOOL CORPORATION
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 balance, it 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)

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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AVERAGE DAILY MEMBERSHIP (ADM)

The same comment also appeared in prior Report B60682.

Condition and Context

The School Corporation did not provide documentation, such as enrollment applications and proof of residency, to verify the students as properly enrolled for five of the students tested. Also, the School Corporation was unable to provide a birth certificate as proof of age for one of the students tested.

Additionally, those recorded as virtual students in the September 2021 ADM counts should have been recorded as brick and mortar students.

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.

WESTERN SCHOOL CORPORATION
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)

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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WESTERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2025, with Kyle Zahn, Director of Finance; Mark DuBois, Superintendent of Schools; Jill Newby, School Board member; Cindy Hurst, School Board member; Vicki Hill, HR & Accounts Specialist; Dana Blumm, Deputy Treasurer; and Jack Lazar, Food Service Director.