

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

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

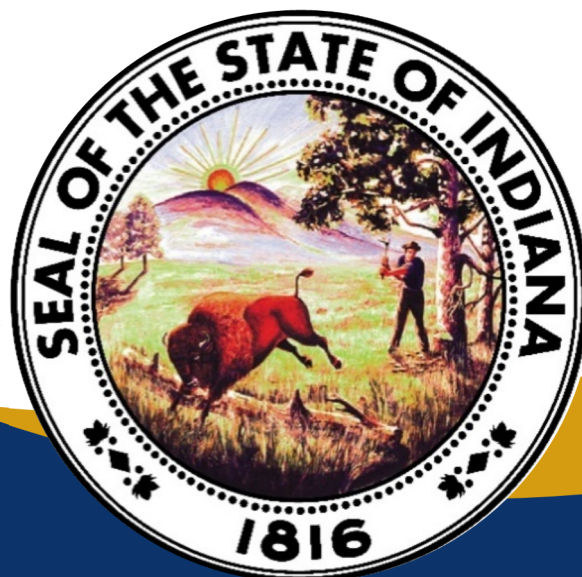
SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/03/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Alex Newman Tracey Bolin Rachel Dutoi	07-01-22 to 12-27-22 12-28-22 to 08-31-23 09-01-23 to 06-30-25
Superintendent of Schools	Dr. Theodore Stevens	07-01-22 to 06-30-25
President of the School Board	Holly Parks	07-01-22 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE SCHOOL CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to the audit report of the School City of Mishawaka (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 18, 2025

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Overdrawn Cash Balances
- Average Daily Membership (ADM)
- Capital Assets
- Annual Financial Report
- Operating Referendum Tax Levy

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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented in the Financial Statement Audit Report of the School Corporation included funds with overdrawn cash balances at June 30, 2023 and 2024. The cash balances of some of the School Corporation's funds were overdrawn due to grant funds operating on a reimbursement basis. Reimbursement grants require the School to expend funds and subsequently request reimbursement. The School Corporation's funds with overdrawn cash balances not attributable to reimbursement at June 30, 2023, and June 30, 2024, are listed below:

SCHOOL CITY OF MISHAWAKA
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn as of June 30,	
	2023	2024
Celebration Support Staff	\$ 12,376	\$ 13,137
ECA Clearing	19,865	-
Self-Insurance - SCM Pd	-	24,459

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM)

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

Condition and Context

Due to the ineffective control process over enrollment at the School Corporation, some students lacked supporting documentation to verify that they were eligible pupils. This noncompliance is noted below:

Brick and Mortar

We were unable to determine that 4 of 28 students tested were eligible pupils due to a lack of proof of residence supporting documentation; and 1 of these 4 students lacked enrollment documentation.

Virtual

We were unable to determine that 6 of the 13 virtual students tested were eligible pupils due to lack of supporting documentation. Supporting documentation was not provided to support the residency requirements for 5 of those students; and for 2 of these 5 students, no enrollment documentation was provided. In addition, for 1 student tested, the birth certificate provided did not agree to the enrolled name.

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."

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS
(Continued)

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

The same comment also appeared in prior Report B60899 and in a Management Letter addressed to School Officials for the audit period ending June 30, 2020.

Condition and Context

Internal controls were not in place to ensure a complete and accurate capital assets listing was maintained. The School Corporation did not include three capital assets purchased with COVID-19 - Education Stabilization Fund grant funds on the capital asset detailed ledger. In addition, the capital asset listing included items below the \$5,000 threshold established by the School Corporation's Policy 7450, entitled *PROPERTY INVENTORY*.

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)

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)

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B60899.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually on the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement and Other Information. The School Corporation had not established effective internal controls to ensure the accuracy, completeness, and timeliness of the capital asset information submitted in the AFR.

The AFR for the years ended June 30, 2023 and 2024, included capital asset amounts of \$119,549,951 and \$117,020,734, respectively. The School Corporation provided a detailed listing; however, it did not include all activity for the audit period. Additionally, the provided listing included assets below the capitalization threshold amount of \$5,000.

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS
(Continued)

The AFR is the basis for the Schedule Capital Asset 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. Adjustments were proposed, accepted by the School Corporation, and made to 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](#)."

OPERATING REFERENDUM TAX LEVY

Condition and Context

The School Corporation had an Operating Referendum Tax Levy pass in the May 2023 election. The Referendum Tax Levy fund was created and disbursements from this fund were to follow the Revenue Spending plan. The 2023 Revenue Spending Plan included education staff salaries and benefits, technology staff salaries and benefits, school safety staff salaries and benefits, increased employee compensation, and technology hardware and software. This plan was effective for disbursements occurring in 2024.

Internal controls were not in place at the School Corporation to ensure disbursements from the Referendum Tax Levy fund were made in accordance with the Revenue Spending Plan. In 2024, the School Corporations purchased vehicles in the amount of \$62,622 from the Referendum Tax Levy fund, which was not an allowable purchase according to the 2023 Revenue Spending Plan described above. In addition, the School Corporation made a \$400,000 transfer in each fiscal year of the audit period, for a total of \$800,000 from the Referendum Tax Levy Fund to the Local Rainy Day fund. Although these transfers were approved by the School Board, they were not allowable under Indiana Code.

Criteria

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SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 20-46-1-8(g) states in part:

"As part of the resolution described in subsection (a), the governing body of the school corporation shall adopt a revenue spending plan for the proposed referendum tax levy that includes:

- (1) an estimate of the amount of annual revenue expected to be collected if a levy is imposed under this chapter;
- (2) the specific purposes for which the revenue collected from a levy imposed under this chapter will be used;
- (3) an estimate of the annual dollar amounts that will be expended for each purpose described in subdivision (2) . . ."

Indiana Code 5-11-1-31 states:

"An examination of a school corporation conducted under section 24.4, 25(d), or 30 of this chapter and a financial report prepared in accordance with [IC 5-1-11.5-3](#) must include an examination of:

- (1) any revenue spending plans adopted under [IC 20-46-1-8](#) or [IC 20-46-9-6](#) for:
 - (A) an operating referendum tax levy approved by the voters of the school corporation under [IC 20-46-1](#); or
 - (B) a school safety referendum tax levy approved by the voters of the school corporation under [IC 20-46-9](#); and
- (2) the operating referendum tax levy fund or school safety referendum tax levy fund of the school corporation, whichever is applicable;

to determine whether the school corporation is using the revenue collected from the operating referendum tax levy or school safety referendum tax levy in the amounts and for the purposes established in the applicable revenue spending plan."



School City of Mishawaka

Creating a Culture of Excellence

February 27, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Audit Results for the 7/1/2022-6/30/2024 Period

The School City of Mishawaka School Corporation acknowledges and concurs with the findings of the recently completed audit for the time period stated above. These findings were in relation to the Annual Financial Report and the Capital Asset Listing. These findings were documented and the corporation is in the process of revising the processes related to the documenting of this information. Corrective Action Plans have been submitted for these two findings and the new processes will be in place by close of the fiscal year June 30, 2025 at the latest. The corporation strives to have all financial records to be the most accurate and to all reflect that there is documentation of multiple internal reviews and will continue to do so going forward.

Respectfully,

Rachel Dutoi
Director of Business Services/Corporation Treasurer

Administrative Center

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Phone [574] 254-4500 • Fax [574] 254-4585 MishawakaSch001s.com

SCHOOL CITY OF MISHAWAKA
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2025, with Dr. Theodore Stevens, Superintendent of Schools; Rachel Dutoi, Treasurer; Tracey Bolin, Assistant Director of Business Services and former Treasurer; William Pemberton, School Board member; and Mellissa Johnson, Secretary of the School Board.