

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITKO COMMUNITY SCHOOL CORPORATION

KOSCIUSKO COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/27/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Leininger	07-01-22 to 06-30-25
Superintendent of Schools	Timothy Pivarnik (Vacant) Dr. Thomas Eddington Dr. Amy Korus	07-01-22 to 05-13-24 05-14-24 to 05-19-24 05-20-24 to 12-31-24 01-01-25 to 06-30-25
President of the School Board	Annette Arnold Scott Werstler	07-01-22 to 12-31-24 01-01-25 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE WHITKO COMMUNITY SCHOOL
CORPORATION, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Whitko Community 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

March 24, 2025

WHITKO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure compliance with laws, regulations, and uniform compliance guidelines established by the Indiana State Board of Accounts. The School Corporation was not in compliance with laws, regulations, and uniform compliance guidelines as detailed further in the following comments:

- Annual Financial Report
- Average Daily Membership (ADM)
- Capital Assets
- Transfer Between Funds - Fund Sources And Uses - Overdrawn Cash Balances

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

Condition and Context

The School Corporation is required to file financial reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Annual Financial Report (AFR) and financial statement, were not effective.

WHITKO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect or correct errors prior to submission.

Due to lack of effective internal controls, the AFRs presented for audit included the following errors:

Financial Data

- The Fringe Benefit Clearing fund included the Prepaid Food fund transactions which caused beginning cash and investment balance, receipts, disbursements and ending cash and investments balances to be overstated by \$20,781, \$210,965, \$210,910, and \$20,836 for fiscal year 2022-2023, respectively. In addition, the Fringe Benefit Clearing fund receipts, disbursements, and ending cash and investment balance were overstated by \$83,026, \$83,007, and \$19 for 2022-2023, respectively. The Fringe Benefit Clearing fund included the Prepaid Food fund transactions, which caused beginning cash and investment balance, receipts, disbursements and ending cash and investment balance to be overstated by \$20,836, \$204,405, \$201,728, and \$23,513 for 2023-2024, respectively. In addition, the Fringe Benefit Clearing fund beginning cash and investment balance, receipts, disbursements, and other financing uses were overstated by \$19, \$2,403,626, \$2,403,622, and \$23 for 2023-2024, respectively.
- The Prepaid Food fund was included in the Fringe Benefit Clearing fund, which caused beginning cash and investment balance, receipts, disbursements and ending cash and investment balance to be understated by \$20,781, \$201,965, \$210,910, and \$20,836 for 2022-2023, respectively. The Prepaid Food fund was included in the Fringe Benefit Clearing fund, which caused beginning cash and investment balance, receipts, disbursements and ending cash and investment balance to be understated by \$20,836, \$204,405, \$201,728, and \$23,513 for 2023-2024, respectively.
- The Hospital Clearing fund receipts and disbursements were properly included in the Fringe Benefit Clearing fund but also reported separately, which overstated receipts and disbursements each by \$1,791 for 2022-2023. The Hospital Clearing fund was removed from the financial statement.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Capital Assets

The School Corporation's total reported capital assets of \$67,110,078 could not be verified with the listing presented for audit.

The School Corporation approved the omission of the Schedule of Capital Assets in the Financial Statement Audit Report of the School Corporation.

Federal Awards Expended

During the audit of the Schedule of Expenditures of Federal Awards (SEFA), which is compiled from the Grant Schedule on Gateway, we noted the following errors:

WHITKO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- The School Breakfast Program expenditures were understated by \$13,131 for 2023-2024.
- The National School Lunch Program expenditures were understated by \$259,017 for 2023-2024.
- The National School Lunch Program commodities were overstated by \$34,396 for 2022-2023 and understated by \$73,279 for 2023-2024.
- The National School Lunch Program expenditures (Supply Chain Milk) were understated by \$69,318 and \$40,956, for 2022-2023 and 2023-2024, respectively.
- The Special Education Grants to States expenditures were understated by \$2,427 and \$200, for 2022-2023 and 2023-2024, respectively.
- The Supporting Effective Instruction State Grants was overstated by \$3,511 for 2022-2023.
- The Child Care and Development Block Grant was understated by \$20,426 for 2023-2024.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report of the School Corporation.

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)

A similar comment also appeared in prior Report B60910.

Condition and Context

The School Corporation adopted the Required ADM Counts for the Purpose of State Funding and Verification of Residency for Membership policy on January 24, 2022. However, the School Corporation was not compliant with its own policy on proof of residency requirements during the audit period.

Records were not presented for audit that would document proof of residency of 18 of 25 brick and mortar students and 18 of 20 virtual students selected for testing. Additionally, 2 of 20 virtual students had no documentation of age verification.

WHITKO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

CAPITAL ASSETS

A similar comment also appeared in prior Report B60910.

Condition and Context

The School Corporation adopted a capital asset policy; however, they did not maintain documentation to support the amounts reported in the Schedule of Capital Assets as reported on the Indiana Gateway for Government Units financial reporting system. In addition, a complete physical inventory of capital assets was not taken every two years to verify account balances carried out in the accounting records.

As a result, the Schedule of Capital Assets was not reported in the Financial Statement Audit Report of the School Corporation.

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)

TRANSFER BETWEEN FUNDS - FUND SOURCES AND USES - OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B60910.

Condition and Context

Transfers were made at calendar or fiscal year end in order to move monies from various unrelated funds with negative balances. Subsequently, these transfers were moved back to the originating fund within the next day or month. Transfers of this type did not present an accurate balance of those funds at that respective year end.

Criteria

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)

WHITKO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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)

WHITKO COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2025, with Lynn Leininger, Treasurer; Dr. Amy Korus, Superintendent of the Schools; and Scott Werstler, President of the School Board.