

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

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

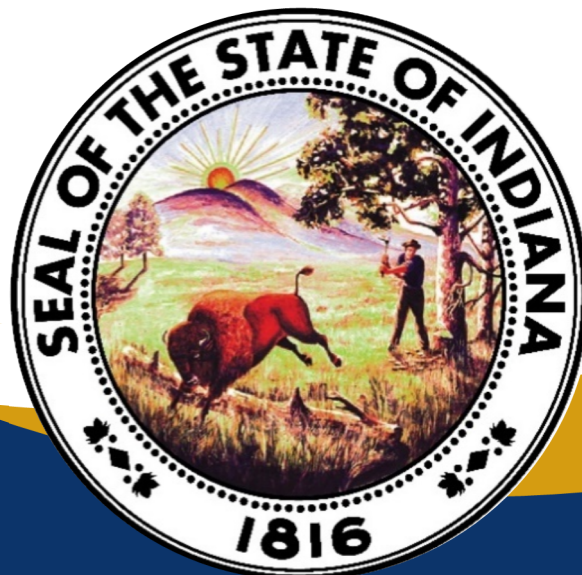
SUPPLEMENTAL COMPLIANCE REPORT

OF

CONCORD COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/17/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Evans	07-01-22 to 06-30-25
Superintendent of Schools	Daniel W. Funston	07-01-22 to 06-30-25
President of the School Board	Kami E. Wait Jennifer Davis	07-01-22 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 CONCORD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of the Concord Community Schools (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 4, 2025

CONCORD COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B61024, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Capital Assets

The Schedule of Capital Assets within the AFR for the year ended June 30, 2024, included the following errors:

- Land was overstated by \$11,300,881.
- Buildings were overstated by \$175,520,468.
- Improvements other than buildings were overstated by \$24,088,142.
- Machinery, equipment, and vehicles were overstated by \$120,805.
- Construction in progress was understated by \$213,359,520.
- Infrastructure was overstated by \$4,355,291.

The AFR is the basis for the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the School Corporation. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Capital Assets.

Grants Schedule

- The School Breakfast Program expenditures were overstated by \$203,923 for fiscal year 2022-2023.
- The National School Lunch Program expenditures were understated by \$177,426, and the programs commodities were overstated by \$28,566,727 for 2022-2023 and 2023-2024, respectively.
- The COVID-19 - Emergency Connectivity Fund Program was omitted, which understated expenditures by \$305,880 and \$752,000 for 2022-2023 and 2023-2024, respectively.
- Two additional federal grants had individually immaterial errors or omissions that resulted in an overstatement of expenditures of \$9,058, in total, for 2022-2023. Three additional federal grants had individually immaterial errors that resulted in an overstatement of expenditures of \$8,074, in total, for 2023-2024.

CONCORD COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- Other errors included incorrect program names, pass-through entities, and identifying numbers.

The submitted AFR information is used to generate the Schedule 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 AFRs.

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:

"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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES - SELF-INSURANCE

Condition and Context

The School Corporation had not designed and implemented effective internal controls over its self-insurance bank accounts. The lack of effective internal controls allowed noncompliance to go undetected during the audit period.

Throughout the audit period, the School Corporation had nonsufficient funds (NSF) in its self-insurance bank account at the time checks cleared. Due to the NSF, the School Corporation was penalized with overdraft fees, on 164 different occasions, totaling \$5,833.

CONCORD COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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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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. . . ."

SCHOOL FOOD SYSTEMS - PREPAID FOOD

Condition and Context

The School Corporation had not designed and implemented effective internal controls over the Prepaid School Lunch Accounts fund. The lack of effective internal controls allowed noncompliance to go undetected during the audit period.

The Prepaid School Lunch Accounts fund (control ledger) did not reconcile to the detail of individual student meal account balances (subsidiary ledger). The control ledger balances on June 30, 2023, and June 30, 2024, were \$64,167 and (\$3,953), respectively, while the detail on the subsidiary ledger was \$72,490 and (\$576), respectively.

The School Corporation did not present a reconciliation of the Prepaid School Lunch Accounts fund to the detail for June 30, 2023, and June 30, 2024.

CONCORD COMMUNITY SCHOOLS
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, the balance 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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CONCORD COMMUNITY SCHOOLS

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Mr. Dan Funston, Superintendent

OFFICIAL RESPONSE

Date: March 13, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765
Email: officialresponse@sboa.in.gov

Re: Audit of Concord Community Schools
July 1, 2020 to June 30, 2022
Supplemental Compliance Report

Dear Sir/Madam:

Please consider this as Concord Community Schools' ("Concord") response to certain items in the Supplemental Compliance Report (the "Report").

Under the heading titled "PENALTIES, INTEREST, AND OTHER CHARGES – SELF INSURANCE" it is asserted that the School Corporation had non-sufficient funds (NSF) in their self-insurance bank account at the time certain checks cleared.

In February of 1998, The Concord Community School Corporation Employee Benefits Trust was established under Internal Revenue Code 501(c)(9) as a voluntary employees' beneficiary association (VEBA). An Employer Identification Number (EIN) was determined, entirely **separate from the EIN of Concord Community Schools.**

Among other requirements, the final IRS regulations that an organization must meet to be a "voluntary employees' beneficiary association" include that the organization is an association of employees and that membership in the association is voluntary. Regulations also require that an entity must be an entity having an existence independent of the member-employees or their employer, and that it be controlled either by its membership, independent trustees or trustees or other fiduciaries some of who are designated by the membership.

In order to maintain eligibility for contributions to the trust be tax deductible under IRC 162, it is required that monies turned over to the trust must be irrevocably turned over and thus no longer controlled by the employer.

It is the position of Concord Schools is that the Concord Community School Corporation Employee Benefits Trust is a Voluntary Employees' Beneficiary Association (VEBA) organized as a 501(c)(9) and as such the funds held in trust by that Association are not funds controlled by Concord Community Schools and thus not subject to audit.

Additionally, changes have been made to the procedures for payment of claims from the trust so that no overdraft fees will be incurred in the future.

Concord objects to the inclusion of the Employee Benefits Trust and the reference to it as "the School Corporation" since Concord Community Schools and the Concord Community School Corporation Employee Benefits Trust have separate EIN numbers and thus, are not the same entity.

Sincerely,

A handwritten signature in cursive script that reads "Dan Funston".

Dan Funston
Superintendent

Cc: Marko Thomas
Jim Evans

CONCORD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2025, with James Evans, Treasurer; Courtney Boots, Controller; Jennifer Davis, President of the School Board; Daniel W. Funston, Superintendent of Schools; and Carrie McGuire, Grants and Assessment Coordinator.