

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY

POSEY COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/31/2025



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol A. Lupfer Amanda Lynn	07-01-22 to 06-30-23 07-01-23 to 06-30-25
Superintendent of Schools	Michael Galvin Steve Kavanaugh (interim) Todd Slagle	07-01-22 to 09-29-23 09-30-23 to 03-03-24 03-04-24 to 06-30-25
President of the School Board	Geoffrey A. Gentil Gregory U. Schmitt Vincent F. Oakley	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 06-30-25



Paul D. Joyce, CPA  
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# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

This report is supplemental to the audit report of the Metropolitan School District of North Posey County (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/](http://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 13, 2025

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system; however, internal controls over the financial data enter into the AFR, which was the source of the School Corporation's financial statement, were not effective. Although the Treasurer compiled, reviewed, and entered the information in the AFR and the School Board reviewed and certified the information entered was accurate, the internal control was not effective and did not detect and allow corrections of the following errors prior to submission:

*Accounts Payable/Accounts Receivable*

The School Corporation reported \$0 for accounts payable and accounts receivable for fiscal years 2022-2023 and 2023-2024. The School Corporation was unable to provide supporting documentation to determine the amounts that should have been reported.

The financial reporting framework utilized by the School Corporation includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the School Corporation. The School Corporation has elected not to present this schedule.

*Capital Assets*

Although the School Corporation reported total capital assets of \$18,585,268 at June 30, 2023 and 2024, all additions and deletions of capital assets were not reflected in the detailed asset listing; therefore, the amount of capital assets could not be verified.

The financial reporting framework utilized by the School Corporation includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the School Corporation. The School Corporation has elected not to present this schedule.

*Leases and Debt*

The School Corporation incorrectly reported the General Obligation Bond of 2022 as a lease instead of debt on the AFR. This resulted in an overstatement of annual lease payments by \$402,664 and \$389,500, in 2022-2023 and 2023-2024, respectively. Additionally, the ending principal balance was understated by \$1,125,000 in 2022-2023 and \$380,000 in 2023-2024, and the principal due within one year was understated by \$745,000 in 2022-2023 and \$380,000 in 2023-2024.

On February 1, 2022, the School Corporation entered into a lease with the American Capital Financial Services for \$1,288,882 for the purchase of new school buses. This lease was not reported as a lease on the AFR. As such, annual lease payments were understated by \$269,827 each year.

On July 5, 2022, the School Corporation paid off a \$76,428 long-term debt for the Guaranteed Energy Savings. However, this debt was reported on the AFR for 2022-2023 and 2023-2024, resulting in overstatements of the ending principal balance by \$76,428 each year.

The MSD of North Posey Multi School Building Corporation Lease of 2010 was not reported on the lease schedule for 2022-2023 and 2023-2024, resulting in an understatement of \$498,000 and \$249,000, respectively.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The submitted information is used to generate the Schedule of Leases and Debt 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 this schedule and the debt information with the AFRs.

*Grant Schedule*

During review of the grant schedule, the grant information in the AFR contained the following errors:

- The Child Nutrition Cluster grant expenditures were overstated by \$628 and \$195,762 for 2022-2023 and 2023-2024, respectively.
- The Pandemic EBT Administrative Costs grant expenditures were included with the Child Nutrition Cluster for 2022-2023, resulting in an understated \$628.
- The COVID-19 - Emergency Connectivity Fund Program grant expenditures were omitted, resulting in an understatement of grant expenditures of \$103,950 for 2022-2023.
- The Medicaid Cluster grant expenditures were understated by \$912 and \$1,451 for 2022-2023 and 2023-2024, respectively.
- Additionally, other immaterial errors were noted which included the omission of the COVID-19 identifier to the program name in 3 grants, and 14 of 19 grants in 2022-2023 and 20 of 26 grants in 2023-2024 did not report the correct Federal Program Title.

The submitted information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) which is presented in the Federal Compliance Audit Report of the School Corporation. Therefore, these errors also appear in this schedule. Adjustments were proposed, accepted by the School Corporation, and made to the SEFA and 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:

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

### **CAPITAL ASSETS**

A similar comment also appeared in the prior Report B60975, entitled *CAPITAL ASSETS*.

#### *Condition and Context*

Internal controls were not in place to ensure the School Corporation complied with laws and regulations related to capital assets. The School Corporation had not properly maintained a complete detailed inventory of capital assets owned. The School Corporation's listing provided for audit was dated as of June 30, 2023. During the test of capital assets purchased and disposed during the audit period, all eight disposals tested were not removed from the detailed capital asset listing. Although an inventory of capital assets was completed as of June 30, 2023, due to the errors noted above, the inventory was not complete and accurate.

#### *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)

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METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
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. . . ."

**PREPAID SCHOOL MEAL ACCOUNTS**

A similar comment also appeared in the prior Report B60975, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

*Condition and Context*

Internal controls were not in place to ensure the School Corporation complied with laws and regulations related to reconciling and reporting of the Prepaid School Meal Accounts. The School Corporation was unable to provide subsidiary student account records that reconciled to the Prepaid School Lunch Accounts fund (fund 8400). The School Corporation had not properly reconciled on a monthly basis the balance of fund 8400 with the total of the individual student prepaid meal accounts. The balance of the subsidiary ledger exceeded the balance of the fund 8400 by \$3,108 as of June 30, 2023, and the balance of the fund 8400 exceeded the subsidiary ledger by \$6,478 as of June 30, 2024.

The School Corporation had not properly accounted for the fund 8400 to ensure proper reporting. After an individual school had completed sales and collections for the day, the School Corporation recorded all sales to the School Lunch fund, and the net of collections, positive if more collections than sales or negative if more sales than collections, to the fund 8400. This resulted in receipts being understated by \$362,286 and \$448,896 in 2022-2023 and 2023-2024, respectively. In addition, disbursements were understated by \$367,619 and \$464,685 in 2022-2023 and 2023-2024, respectively.

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 and to the financial information within the AFR.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance 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 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)

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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### ***AVERAGE DAILY MEMBERSHIP (ADM)***

#### *Condition and Context*

Internal controls were not in place to ensure the School Corporation complied with laws and regulations related to Average Daily Membership (ADM) reporting. According to the 6250 - Required ADM Counts for the Purpose of State Funding and Verification of Residency for Membership Policy adopted by the School Corporation "Expectations for Student Residency Verification are as follows: A. The Corporation shall maintain proof of Indiana residency for each student in the student's electronic or hard copy file. B. Proof of residency shall be filed for each student whom the Corporation counts for membership. . . C. Proof of residency shall be on hand for each student prior to the student being claimed on the fall and/or spring membership count dates. . . ." There was no evidence to ensure the proof of residency documentation and other required enrollment documents were retained for all students reported in its ADM counts submitted to the Indiana Department of Education throughout the audit period. We noted the following instances of noncompliance:

- The School Corporation was unable to provide proof of Indiana residency for 13 of the 62 brick and mortar students tested and for 4 of the 6 virtual students tested.
- The School Corporation was unable to provide documentation to verify the student met the age requirement for 1 of the 8 brick and mortar students that were tested for the age requirement.
- Of the virtual students sampled, 1 was not an eligible pupil.

#### *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:

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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."

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)

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)

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)

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METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2023, with Amanda Lynn, Treasurer; Todd Slagle, Superintendent of Schools; Michelle Walden, Assistant Superintendent of Schools; and Vincent F. Oakley, President of the School Board.