

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

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WEST WASHINGTON SCHOOL CORPORATION
WASHINGTON COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Andrea Little	07-01-22 to 06-30-25
Superintendent of Schools	Keith A. Nance	07-01-22 to 06-30-25
President of the School Board	Sal Sama	07-01-22 to 12-31-25



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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 WEST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

This report is supplemental to the audit report of the West Washington 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 11, 2025

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60904, entitled *ANNUAL FINANCIAL REPORT - GRANT SCHEDULE*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's financial statement and the Schedule of Expenditures of Federal Awards (SEFA). It is also used to generate the Schedule of Payables and Receivables and the Schedule of Capital Assets. The School Corporation had not established effective internal controls over the financial, federal award, and other information entered into the AFR.

Financial Close and Reporting

The Treasurer prepared and submitted the AFR; however, there were no documented oversight, review, or approval processes in place to prevent, or detect and correct, errors in the financial information prior to submission of the AFR.

Grant Schedule

The School Corporation's grant information was prepared by the Treasurer and reviewed by the Superintendent of Schools prior to submission; however, the internal controls over the federal award information were not effective and did not detect or correct errors prior to submission.

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

- The National School Lunch program expenditures for fiscal year 2023 were overstated \$115,230, and expenditures for 2024 were understated by \$66,726.
- The Special Education Grants to States expenditures for 2023 and 2024 were understated by \$226,061 and \$198,924, respectively.
- The COVID-19 - Education Stabilization Fund expenditures for 2023 were understated by \$134,242.
- Six federal grants had individually immaterial errors which resulted in misstatements of expenditures of \$104,985, in total for 2023. Two federal grants had individually immaterial errors which resulted in misstatements of expenditures of \$32,314, in total, for 2024. Other errors included one incorrect pass-through entity, incorrect program names, and incorrect identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA included in the Federal Compliance Audit Report of the School Corporation and to the grant information within the AFR.

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Accounts Payable and Accounts Receivable

The School Corporation did not provide detailed records to support the \$66,787 reported as accounts payable in the AFR as of June 30, 2023. The School Corporation did not report an amount for accounts receivable in the AFR for June 30, 2023 and 2024. Therefore, we were unable to determine the accuracy of the information.

The financial 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

The School Corporation reported \$21,144,090 as capital assets at June 30, 2023, which is significantly less than the detailed capital asset listing. A detailed capital asset listing was maintained totaling, \$26,560,241, dated May 5, 2023.

The School Corporation reported \$32,378,851 as capital assets at June 30, 2024. However, the detailed capital asset records dated June 2, 2024, were \$25,649,510. In addition, capital assets in the amount of \$732,236 were not included on the detailed asset records but were subsequently corrected by the Treasurer.

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

Investment Fund Statement

The School Corporation had an investment at June 30, 2023 and 2024, in the amount of \$4,000 that was not reported in the ledger and, therefore, not reported in the investment fund statement.

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. . . ."

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

INTERNAL CONTROLS OVER RECEIPTS

Condition and Context

Receipts

The School Corporation had not separated incompatible activities related to receipts. The Treasurer made deposits into the bank account and recorded the receipts in the financial records. There was no oversight, review, or approval process over receipts to ensure that all receipt activity was accurately recorded and deposited.

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:

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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. . . ."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal controls were not in place to ensure that the School Corporation complied with laws, regulations, and uniform compliance guidelines. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Overdrawn Cash Balances
- Training on Internal Control Standards

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- Certification on Internal Control Standards
- Average Daily Membership (ADM) - Lack of Records
- Capital Assets

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:

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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. . . ."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B60904.

Condition and Context

- The Textbook Rental fund was overdrawn at June 30, 2023 and 2024, by \$67,102 and \$258,723, respectively.
- The Prepaid Trust fund was overdrawn at June 30, 2023 and 2024, by \$9,277 and \$15,137, respectively.

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)

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation's policy for internal control training states: "Training shall be provided on the internal control standards and procedures to all school employees and newly hired employees whose duties include receiving, processing, depositing, disbursing, or having access to school and extracurricular funds." The last verified date of any training was January 2023. Consequently, 15 new employees were hired or put into positions requiring training but had not received the training.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Treasurer incorrectly certified, in the Indiana Gateway for Government Units financial reporting system, that all required school personnel had received training regarding internal control standards. The last verified date of any training was January 2023. Consequently, 15 new employees were hired or put into positions requiring training but had not received the training.

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) - LACK OF RECORDS

A similar comment appeared in a Management Letter addressed to the officials of the School Corporation for the audit period ending June 30, 2022.

Condition and Context

The building level officials (Principal, Assistant Principal, etc.) did not certify the Average Daily Membership (ADM) in the form of a written certification to the School Corporation Central Office.

WEST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The School Corporation was unable to provide proof of residency for 23 of 30 students that were tested.

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."

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

Condition and Context

Three of ten asset purchases selected for testing were not included in the detailed listing of capital assets. In addition, an inventory of capital assets was not completed during the audit period.

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)

WEST WASHINGTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Keith A. Nance, Superintendent of Schools; Andrea Little, Treasurer; and Sal Sama, President of the School Board.