

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY SCHOOL CORPORATION

WARRICK COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/24/2025



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nancy Lumley Amy Smith	07-01-22 to 09-24-23 09-25-23 to 06-30-25
Superintendent of Schools	Todd Lambert Abbie Redmon	07-01-22 to 06-12-23 06-13-23 to 06-30-25
President of the School Board	Jane Wilhelmus Lynda Glover	07-01-22 to 12-31-24 01-01-25 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE WARRICK COUNTY SCHOOL  
CORPORATION, WARRICK COUNTY, INDIANA

This report is supplemental to the audit report of the Warrick County 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/](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 11, 2025

WARRICK COUNTY SCHOOL CORPORATION  
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 (Gateway) financial reporting system, which was the source of the School Corporation's financial statement. The School Corporation had not established effective internal controls over the financial information entered into the AFR. Although the Treasurer compiled and entered the financial information into Gateway, and the Assistant Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of all errors prior to submission. Due to the lack of effective internal controls, the financial statement presented for audit contained the following errors:

*Financial Data*

The School Corporation reported transfers between bank accounts as receipts and disbursements on the financial statement; however, movement between bank accounts should not be included in the financial activity of the School Corporation. As a result, receipts and disbursements were each overstated by \$5,000,000 in fiscal year 2022-2023 and \$36,000,000 in 2023-2024.

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

*Grant Schedule*

- Child Nutrition Cluster - National School Lunch Program Commodities were understated in the amount of \$362,597 in 2023-2024
- Adult Education - Basic Grants to States was understated in the amount of \$7,197 and \$12,871 in 2022-2023 and 2023-2024, respectively.

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

*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.

WARRICK COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

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)**

#### *Condition and Context*

The School Corporation did not have adequate internal controls in place to ensure compliance with laws and regulations related to Average Daily Membership (ADM).

#### *Engagement Policy*

The School Corporation did not adopt an engagement policy to determine how the engagement and attendance would be tracked for those students attending in a virtual setting.

#### *Residency Policy*

The Indiana Department of Education issued a memo on September 28, 2021, requiring each School Corporations' governing body to annually adopt or readopt a policy that specifies documentation, not to exceed three items, required to verify Indiana residency.

The School Corporation adopted a Proof of Residency policy (Policy 4035) on October 12, 2021. However, the policy did not specify the documentation required to verify Indiana residency. In addition, the policy was not readopted annually as required.

The School Corporation did not follow its adopted policy for residency verification related to eligible pupils. The School Corporation could not provide proof of residency documentation for two of the four virtual students selected for testing.

#### *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:

WARRICK COUNTY SCHOOL CORPORATION  
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. . . ."

Indiana Department of Education memorandum dated September 28, 2021, Verification of Residency for Membership, states in part: . . .

"Each school corporation's governing body or charter school board must annually adopt or readopt a policy that specifies documentation, not to exceed three items, required to verify Indiana residency. . . .

The guidance provided also stated:

- School corporations and charter schools must maintain proof of Indiana residency for each student in the student's electronic or hard copy file.
- Proof of residency must be filed for each student for whom the school corporation or charter school counts for membership.
- Proof of residency must be on hand for each student prior to the student being claimed on the fall and/or spring membership count dates."

The Indiana Department of Education (IDOE) has released guidance for reporting ADM information and requires supporting documentation of enrollment and attendance information by grade and school to be signed by the building principle, or head of school, and made available in the event of an audit. There is no further guidance as to what the terms "enrolled" and "attending" mean outside of IC 20-43-1. Therefore, we are of the audit position that each school should adopt a student engagement policy which would mirror the requirements set forth for virtual charter schools in IC 20-24-7-13(h). If a student fails to continue attending after the ADM count date, the student is still subject to the state's Compulsory School Attendance requirements found in IC 20-33-2. (The School Bulletin and Uniform Compliance Guidelines, December 2019)

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)

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)

WARRICK COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2025, with Abbie Redmon, Superintendent of Schools; Amy Smith, Treasurer; and Lynda Glover, President of the School Board.