

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION

HUNTINGTON 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                        | Edette L. Eckert<br>Stanley Hall (interim)<br>Alexandria Eckert | 07-01-22 to 01-08-24<br>01-09-24 to 02-19-24<br>02-20-24 to 06-30-25 |
| Superintendent<br>of Schools     | Charles D. Daugherty<br>John Trout                              | 07-01-22 to 07-29-22<br>07-30-22 to 06-30-25                         |
| President of the<br>School Board | Matt J. Roth<br>Tim Allen                                       | 07-01-22 to 12-31-24<br>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 HUNTINGTON COUNTY COMMUNITY  
SCHOOL CORPORATION, HUNTINGTON COUNTY, INDIANA

This report is supplemental to the audit report of the Huntington County 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/](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 26, 2025

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report
- Bank Account Reconciliations
- Capital Assets
- Overdrawn Cash Balances
- Prepaid School Meal Accounts
- Average Daily Membership (ADM) - Lack of Records
- Timely Recording - General Obligation Bond Proceeds
- Errors on Claims
- Monthly and Annual Uploads
- Penalties, Interest, and Other Charges
- Training on Internal Control Standards
- Certification on Internal Control Standards

These internal control deficiencies are further detailed in the comments below.

*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. . . ."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B61077, entitled *PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*.

*Condition and Context*

Financial and other information is required to be entered annually into the Indiana Gateway for Government Units financial reporting system, which is the source of the School Corporation's Annual Financial Report (AFR). The School Corporation filed its AFR as prescribed; however, the AFR components contained the following errors.

*Grants*

The School Corporation is required to report grant information in its AFR, which is the basis for the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report of the School Corporation. The SEFA presented for audit included the following errors:

- The Child Nutrition Cluster School Breakfast expenditures were understated by \$73,404 and \$538,492 for fiscal years 2022-2023 and 2023-2024, respectively.
- The Child Nutrition Cluster School Lunch expenditures were understated by \$252,953 and were overstated by \$170,391 for 2022-2023 and 2023-2024, respectively.
- The Child Nutrition Cluster School Lunch Commodities expenditures were overstated by \$8,123 and were understated by \$203,478 for 2022-2023 and 2023-2024, respectively.
- The Child Nutrition Cluster School SNP Emergency Funds expenditures were understated by \$143,095 for 2023-2024.
- The COVID-19 - Pandemic EBT Administration Costs expenditures were overstated by \$167,361 for 2023-2024.
- The Special Education Cluster (IDEA) expenditures were understated by \$550,081 for 2023-2024.
- Title I Grants to Local Educational Agencies expenditures were understated by \$887,730 for 2023-2024.
- The Student Support and Academic Enrichment Program expenditures were overstated by \$2,625,719 for 2023-2024.
- The COVID-19 - Education Stabilization Fund expenditures were understated by \$2,619,161 for 2023-2024.
- Medicaid Cluster expenditures were overstated by \$97,927 and \$377,030 for 2022-2023 and 2023-2024, respectively.
- Other errors included incorrect program names and identifying numbers and immaterially overstated or understated amounts identified.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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.

*Financial Data*

- Prepaid Food fund receipts and disbursements were each understated for 2022-2023 by \$862,994.

The submitted AFR information is used to generate the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report of the School Corporation. 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*

It could not be determined if the School Corporation correctly reported the capital asset information because the capital asset ledger was not complete, and it did not include all of the capital assets that the School Corporation reported.

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

*Payables and Receivables*

It could not be determined if the School Corporation correctly reported the accounts payable and accounts receivable information. There was no documentation retained for audit to verify this schedule at June 30, 2024.

The School Corporation approved the omission of the Schedule of Payables and Receivables from the Financial Statement 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](#)."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Depository reconciliations of the bank account balances to the financial records fund balance were attempted monthly; however, the reconciliation did not agree to the fund balance for five out of seven months tested. The reconciled bank balance was greater than the financial record fund balance by \$386,035 as of June 30, 2024. The depository reconciliation reports provided for audit indicated the bank and financial record balances reconciled. However, upon further review, the School Corporation had not compared to reports substantiating the fund balances. Thus, the School Corporation was not aware that differences existed between the reconciled bank balances and the financial record fund balances.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**CAPITAL ASSETS**

A similar comment appeared in prior Report B61077, entitled *CAPITAL ASSETS*.

*Condition and Context*

The School Corporation did not maintain a complete detailed listing of capital assets during the audit period. In addition, the School Corporation did not complete a physical inventory at least every two years.

*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)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement included several payroll-clearing funds with overdrawn cash balances on June 30, 2023 and 2024, that were due to unidentified, incorrect postings over fiscal year 2023-2024.

*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)

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PREPAID SCHOOL MEAL ACCOUNTS**

A similar comment appeared in prior Reports B52598, B56869, and B61077, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

*Condition and Context*

Prepaid lunch receipts were placed in Fund 8400, Prepaid Food fund, a clearing account, and transferred to Fund 800, School Lunch fund monthly when program income was earned. The transfers were posted in the ledger as negative receipts instead of expenditures. As a result, the total receipts and disbursements of the Prepaid Food fund, as shown in the ledger and financial statement, were equally understated in fiscal year 2022-2023, totaling \$862,994.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedule 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.

Additionally, after monthly program income transfers were completed, the balance of the Prepaid Food fund was not properly reconciled to student account balances, resulting in adjusting entries being made in the ledger to account for the remaining variances. During 2022-2023, there were three receipts which moved funds from the School Lunch fund 800 back to the Prepaid Food fund 8400. During 2023-2024, there was one receipt posted to the School Lunch fund and then removed, with no explanation, but is believed to be a misposting that should have, instead, been a corresponding disbursement from Prepaid Food. There was also a \$116,010 receipt posted to the School Lunch fund on February 29, 2024, which was labeled "prepaid food November" but did not have a corresponding disbursement from the Prepaid Food fund. This receipt was reversed on November 30, 2024. There was a large movement of funds from Prepaid Food to School Lunch at the year end of 2023-2024 titled "Year-End Adjustment for Prepaid Food Service" that was meant to settle the differences between the subsidiary ledger and the fund balance of Prepaid Food.

*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 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)

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

***AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS***

A similar comment also appeared in prior Report B61077, entitled *AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS*.

*Condition and Context*

The School Corporation did not follow its own Proof of Residency Guidelines and Administrative Guideline 6250 policies to ensure proof of residency and other required enrollment documents were retained for audit for all students reported in its ADM counts submitted to the Indiana Department of Education throughout the audit period. We conducted tests of both the School Corporation's in-person (Brick and Mortar) students and its Virtual program (Virtual) students and noted the following instances of noncompliance:

- The School Corporation's Proof of Residency Guidelines require the parent to provide three documents to verify residency; one document from Group A listing, one document from Group B listing, and a government issued ID. Of the 28 Brick and Mortar students tested, 27 did not have all three required records. Of the 8 Virtual students tested, 8 did not have all three required records. Because the School Corporation did not follow its policy, we determined that the 35 students without all three required records were not properly enrolled.
- The School Corporation was unable to provide documentation to verify the student met the age requirement (birth certificate) for 5 of the 28 Brick and Mortar students tested and 1 of the 8 Virtual Students tested.
- The School Corporation was unable to provide enrollment forms for 20 of the 28 Brick and Mortar students tested and 4 of the 8 Virtual Students tested.
- The School Corporation was unable to provide documentation to verify students were attending (attendance records) for 2 of the 28 Brick and Mortar students tested and 8 of the 8 Virtual Students 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."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

**TIMELY RECORDING - GENERAL OBLIGATION BOND PROCEEDS**

*Condition and Context*

The School Corporation did not record the receipt for the proceeds of the 2023 General Obligation Bond timely. The proceeds were recorded 62 days after they were received.

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**ERRORS ON CLAIMS**

*Condition and Context*

The following errors on claims were noted during the audit period:

*Vendor Disbursements*

Not all disbursements of the School Corporation were approved by the School Board and certified by the Treasurer prior to payment. Of the 17 vendor disbursements sampled for compliance testing, 2 were paid without approval by the School Board and certification by the Treasurer, and 6 were paid prior to being approved by the School Board and certified by the Treasurer. The School Corporation adopted a Resolution titled "Permission to Pay in Advance of Board Meeting" which allows officials of the School Corporation to pay certain claims ahead of the School Board on January 8, 2024.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additionally, documentation supporting the funds posted was not presented for audit for 1 of the 25 vendor disbursements tested.

*Payroll Disbursements*

Of the 10 payroll disbursements tested for compliance, 8 were paid prior to approval by the School Board and certification by the Treasurer prior to payment. The School Corporation adopted a Resolution titled "Permission to Pay in Advance of Board Meeting" which allows officials of the School Corporation to pay certain claims ahead of the School Board on January 8, 2024.

Additionally, compensation paid to two employees tested did not agree to the employee contracts.

Lastly, documentation supporting the funds posted was not presented for audit for 2 of 17 payroll disbursements tested for substantive testing.

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved School Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The School Corporation did not comply with the State Examiner Directive and uploaded 4 of 60 (for fiscal year 2022-2023) and 20 of 60 (for 2023-2024) monthly files late on the Indiana Gateway for Government Units financial reporting system.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021, and Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024 and the 2023 annual uploads due March 1, 2024)

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)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The School Corporation paid penalties and interest in the amount of \$35,438 in fiscal year 2022-2023 and \$13,137 in 2023-2024 due to improper and untimely remittances of federal payroll taxes.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
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)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

Some School Corporation employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the School Corporation, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts. Training on internal control standards had not been performed beginning in January 2024.

*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 School Corporation incorrectly certified on the Indiana Gateway for Government Units financial reporting system for fiscal year 2023-2024 that personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the School Corporation. However, during the audit, no evidence was provided indicating that training had been received. Upon inquiry, the Indiana State Board of Accounts was informed that training had ceased since January 2024.

*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](#)."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2025, with John Trout, Superintendent of Schools; Alexandria Eckert, Treasurer; Tyler Haskough, Finance Director; Patrick B. McLaughlin, Chief Operating Officer; and Tim Allen, President of the School Board.