

**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 NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/31/2025



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Internal Controls .....	4-5
Condition of Records .....	5
Annual Financial Report .....	5-7
Annual Engagement Uploads.....	7-8
Errors on Claims .....	8-9
Training on Internal Control Standards .....	9
Certification on Internal Control Standards .....	10
Average Daily Membership (ADM) - Residency Verification Policy .....	10-11
School Food Systems - Prepaid Food.....	11
Exit Conference.....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara Fought Andrew McDaniel	07-01-22 to 12-31-24 01-01-25 to 06-30-25
Superintendent of Schools	Galen Mast Dr. Randall Zimmerly (interim) Nathan Lowe	07-01-22 to 12-12-22 12-13-22 to 04-30-23 05-01-23 to 06-30-25
President of the School Board	Joe Hutsell	07-01-22 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

# 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE WEST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to the audit report of the West Noble 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 25, 2025

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

The School Corporation had not designed and implemented effective internal controls over financial reporting and state laws and uniform compliance guidelines.

*Financial Reporting*

The School Corporation had designed an internal control system that separated incompatible activities related to financial close and reporting; however, there was no evidence to support the internal control system was implemented during the audit period. One School Corporation employee would prepare the Annual Financial Report financial data entered into the Indiana Gateway for Government Units financial reporting system, which is the source of the School Corporation's financial statement, but there was no evidence that a review of the financial data was performed by a separate employee.

*State Laws and Uniform Compliance Guidelines*

The lack of effective internal controls allowed the following noncompliance issues to go undetected during the audit period:

- Condition of Records
- Annual Financial Report
- Annual Engagement Uploads
- Errors on Claims
- Training on Internal Control Standards
- Certification on Internal Control Standards
- Average Daily Membership (ADM) - Residency Verification Policy
- School Food Systems - Prepaid Food

*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.

WEST NOBLE 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. . . ."

**CONDITION OF RECORDS**

A similar comment also appeared in prior Report B61089, entitled *BANK ACCOUNT RECONCILIATIONS*.

*Condition and Context*

Reconciliations provided for audit were generated from the accounting system; however, the reconciled cash accounts in the system did not materially agree with the fund balances. As of June 30, 2023, and June 30, 2024, there was an unidentified variance between the reconciled bank account balances and the accounting system fund balances of \$27,939 and \$20,421, respectively.

*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."

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)

**ANNUAL FINANCIAL REPORT**

Similar comments also appeared in prior Report B61089, entitled *PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS* and *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 filed its AFR as prescribed; however, the AFR information entered into Gateway contained the following errors:

*Grants Schedule*

- The School Breakfast Program was omitted, which understated expenditures by \$248,881 and \$207,137 for fiscal years 2022-2023 and 2023-2024, respectively.
- The National School Lunch Program expenditures were understated by \$961,569 and overstated by \$404,417 for 2022-2023 and 2023-2024, respectively.

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- The Title I Grants to Local Educational Agencies expenditures were overstated by \$151,359 for 2022-2023.
- The COVID-19 - Education Stabilization Fund expenditures were overstated by \$400,000 and \$724,478 for 2022-2023 and 2023-2024, respectively.
- The Medical Assistance Program expenditures were overstated by \$100,721 and understated by \$2,695 for 2022-2023 and 2023-2024, respectively.
- Two additional federal grants had individually immaterial omissions that resulted in an understatement of expenditures of \$7,792 in total for 2022-2023. Four additional federal grants had individually immaterial errors or omissions that resulted in an understatement of expenditures of \$24,451 in total for 2023-2024.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

The School Corporation is required to report grant information in its AFR, which is the source for the Schedule of Expenditures 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 presented in the Federal Compliance Audit Report of the School Corporation.

*Leases and Debt*

- The annual lease payments due to the West Noble High School Building Corporation for 2019 and 2023 building improvements totaling \$459,500 and \$996,500, respectively, as of June 30, 2024, were omitted.
- The General Obligation Bonds of 2022 ending principal balance and principal due within one year were understated by \$211,500 and overstated by \$1,090,000, respectively, as of June 30, 2024.
- The ending principal balance and principal due within one year for five Common School Fund Loans were, in aggregate, understated by \$79,555 and overstated by \$288,086, respectively, as of June 30, 2024.

The School Corporation is required to report leases and debt information in its AFR, which is the source for the Schedule of Leases and Debt presented in the Financial Statement Audit Report of the School Corporation as Other Information. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report of the School Corporation.

*Payables and Receivables*

The School Corporation did not provide documentation to support the payables and receivables information entered into Gateway, which totaled \$1,868,931 and \$0, respectively, as of June 30, 2024. The financial reporting framework adopted 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 to not present this schedule.

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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](#)."

**ANNUAL ENGAGEMENT UPLOADS**

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 files and governmental unit information that are required to be uploaded annually on the Indiana Gateway for Government Units (Gateway) financial reporting system include the year-end investment statements, detail of receipt activity, detail of disbursement activity, annual payroll history report, annual vendor history report, annual funds ledger, school lunch prepaid account balance report as of June 30, and approved salary schedule for noncertified employees and amendments.

Additionally, beginning with the June 30, 2024 annual uploads, school corporations are required to upload an excel data capture/data dump of receipts and disbursements, accounts payable/accounts receivable schedule support, direct federal grant agreements/award letters and amendments initiated during the year, agreements for subawards made to subrecipients for all federal grants initiated during the year, and a personnel policy.

The School Corporation did not upload any of the required annual files on Gateway for the fiscal year ending June 30, 2023.

Additionally, the School Corporation did not upload the following required annual files on Gateway for the fiscal year ending June 30, 2024:

- Approved salary schedule for noncertified employees and amendments
- Annual payroll history report, without social security numbers
- School lunch prepaid account balance report as of June 30, 2024
- Excel data capture/data dump of receipts and disbursements
- Accounts payable/accounts receivable schedule support
- Personnel policy

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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, and effective with uploads due February 15, 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)

**ERRORS ON CLAIMS**

*Condition and Context*

Upon request, the School Corporation provided 29 vendor claims and 16 payroll claims for audit that revealed the following errors:

- There was no claim, voucher, or invoice provided for one vendor disbursement totaling \$1,511,266 that could not be verified as certified and approved by the Treasurer prior to payment and was recorded in the School Corporation ledger four days prior to the transaction occurring.
- A vendor disbursement for \$768,250 could not be verified as approved by the School Board prior to payment.
- There was no documentation to support the Treasurer certified and approved four vendor disbursements totaling \$9,041 prior to payment.
- There was no evidence to support the Treasurer's time record for one payroll period was reviewed and approved.

*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 all of the following apply:

- (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.

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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.
- (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. . . ."

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)

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

**TRAINING ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B61089, entitled *TRAINING ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The School Corporation did not have supporting documentation to confirm 1 of 16 tested School Corporation employees, a management level employee whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the School Corporation, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

*Criteria*

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B61089, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The School Corporation certified on the Annual Financial Report submitted in the Indiana Gateway for Government Units financial reporting system for 2023, that all 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, evidence was not provided indicating that training had been provided to all required employees.

*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) - RESIDENCY VERIFICATION POLICY**

*Condition and Context*

The School Corporation had not designed and implemented internal controls over Average Daily Membership (ADM) residency verification.

The School Corporation was unable to provide proof of an updated student residency policy that included documentation required to be obtained at the time of enrollment to verify students are Indiana residents and the maintenance of the documentation obtained. The School Corporation's student residency policy provided for audit did not specify residency verification documentation requirements.

*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. . . .

WEST NOBLE SCHOOL CORPORATION  
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. . . ."

**SCHOOL FOOD SYSTEMS - PREPAID FOOD**

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 School Lunch Pre-Paid 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 \$22,763 and \$27,889, respectively, while the detail on the subsidiary ledger was \$22,409 and \$21,393, respectively.

*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 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)

WEST NOBLE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2025, with Andrew McDaniel, Treasurer; Nathan Lowe, Superintendent of Schools; and Joe Hutsell, President of the School Board.