

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2022 to June 30, 2024



**FILED**

03/25/2025



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Annual Financial Report .....	4-5
Compensation and Benefits .....	6
Reconciliation of Prepaid Cafeteria Accounts .....	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julie Dodd	07-01-22 to 06-30-25
Superintendent of Schools	Chad Yencer	07-01-22 to 06-30-25
President of the School Board	Philip Jones	07-01-22 to 06-30-25



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State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

This report is supplemental to the audit report of the Blackford County Schools (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

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B61123.

*Condition and Context*

The School Corporation had not established effective internal controls over the Annual Financial Report (AFR) information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement, the Schedule of Expenditures of Federal Awards (SEFA), the Schedule of Leases and Debt, and the Schedule of Payables and Receivables. Without a proper system of internal controls in place that operate effectively, material misstatements of the financial statement, SEFA, Schedule of Leases and Debt, and Schedule of Payables and Receivables remained undetected.

Financial and other information are required to be entered annually into the AFR via Gateway. During the review of the financial and supplemental information entered into Gateway, the following errors were discovered:

*Financial Information*

The following errors were identified in the financial information:

- The Café Prepaid fund receipts and ending cash and investment balances were overstated by \$1,000 for fiscal year 2023-2024.
- The Cons Accruals fund receipts and disbursements were each understated by \$11,946 for 2023-2024.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to 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.

*Grant Information*

The following errors were identified in the SEFA:

- The Child Nutrition Cluster commodities were omitted, which understated expenditures by \$69,540 and \$88,472 for 2022-2023 and 2023-2024, respectively.
- The National School Lunch Program was understated by \$82,176 and \$46,633 for 2022-2023 and 2023-2024, respectively.
- The COVID-19 - Pandemic EBT Administrative Costs program was omitted, which understated expenditures by \$628 for 2022-2023.
- The Special Education Grants to States was overstated by \$10,426 for 2022-2023 and understated by \$30,483 for 2023-2024.
- The Medical Assistance Program was omitted, which understated expenditures by \$114,206 and \$138,363 for 2022-2023 and 2023-2024, respectively.

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

- State grants were included in error, resulting in an overstatement of expenditures of \$24,946 for 2023-2024.
- Other errors included incorrect program names and identifying numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA included in the Federal Compliance Audit Report of the School Corporation.

*Leases and Debt Information*

Lease payments due totaling \$1,416,000 to the Blackford County School Building Corporation were omitted. Additionally, debt outstanding was overstated by \$8,525,000 due to misclassification.

The School Corporation opted to omit the Schedule of Leases and Debt from the Financial Statement Audit Report of the School Corporation.

*Schedule of Payables and Receivables*

The School Corporation was unable to provide documentation to support the payables and receivables information entered into Gateway.

The School Corporation opted to omit the Schedule of Payables and Receivables from the Financial Statement 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.

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](#)."

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMPENSATION AND BENEFITS**

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to payroll.

One cafeteria aide at the school was paid overtime wages for working at the School Corporation's banquet in June of 2023, after the school year had ended. The School Corporation manual states that overtime pay is only allowable when employees work in excess of 40 hours in one week. A total of approximately \$95 in overtime was paid to the employee who did not work over 40 hours in the week.

*Criteria*

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)

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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**RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS**

The same comment also appeared in prior Reports B49936, B57289, and B61123.

*Condition and Context*

The School Corporation did not have adequate internal controls in place to ensure compliance with requirements applicable to the prepaid lunch accounts. Reconcilements between the School Lunch program subsidiary ledgers (Payor Balance Summary by Customer) and the control account on the School Corporation's ledger (Café Prepaid fund) were not performed during the audit period.

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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)

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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BLACKFORD COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2025, with Julie Dodd, Treasurer; Chad Yencer, Superintendent of Schools; and Philip Jones, President of the School Board.