

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

COMPLIANCE ENGAGEMENT REPORT

OF

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER

PUTNAM COUNTY, INDIANA

July 1, 2019 to June 30, 2023



FILED
07/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Richard King Debra Christy (interim)	07-01-19 to 12-31-23 01-01-24 to 06-30-24
Treasurer	Debra Christy	07-01-20 to 06-30-24
President of the Service Center Executive Board	Bruce Bernhardt Greg Linton Jerry Sanders Mike Schimpf	07-01-19 to 06-30-21 07-01-21 to 06-30-22 07-01-22 to 06-30-23 07-01-23 to 06-30-24



STATE OF INDIANA
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TO: THE OFFICIALS OF THE WEST CENTRAL INDIANA EDUCATIONAL
SERVICE CENTER, PUTNAM COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the West Central Indiana Educational Service Center (School Corporation), for the period of July 1, 2019 to June 30, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the School Corporation as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the School Corporation's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Debra Christy, interim Director/Treasurer, and Mike Schimpf, President of the Service Center Executive Board, on June 3, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 8, 2024

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented for audit included the following funds with overdrawn cash balances as of June 30, 2020, 2021, 2022, and 2023:

Fund	Amount Overdrawn June 30, 2020	Amount Overdrawn June 30, 2021	Amount Overdrawn June 30, 2022	Amount Overdrawn June 30, 2023
Operations	\$ -	\$ -	\$ -	\$ 974
Certified Social Security	-	-	-	4
Indiana State Tax Withheld	2,118	2,480	2,440	2,692
County Clearing Tax	-	80	68	205
Annuity Funds Clearing	385	-	-	-

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)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. A system of internal controls was properly designed by the School Corporation; however, the established internal controls were not effective to detect or correct errors prior to submission.

Financial Data

Due to the lack of effective internal controls, the financial statements presented in the Compliance Engagement Report of the School Corporation contained the following errors:

- There were seven funds which contained immaterial errors. For these funds, receipts and disbursements were understated by \$51,811 and \$53,716, respectively, resulting in a \$1,905 overstatement of the ending cash and investments balance for the year ended June 30, 2020.
- Beginning and ending cash and investments balances for three funds were overstated by individually immaterial amounts totaling \$1,905 for the year ended June 30, 2021.

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
COMMENTS
(Continued)

- The Joint Services Operation fund beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$9,112, \$200,175, \$191,060, and \$9,115, respectively, for the year ended June 30, 2022.
- There were nine other funds which contained individually immaterial misstatements in beginning cash and investment balances, receipts, and disbursements totaling \$20, \$31,999, and \$30,114, respectively. This resulted in an overstatement of ending cash and investments balances of \$20 at June 30, 2022.
- Beginning and ending cash and investments balance were understated by \$9,096 for the year ended June 30, 2023.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.

Other Information

The Schedule of Payables and Receivables is a required part of the other information required to be entered annually into Gateway. The School Corporation reported \$162,869 and \$104,439 in accounts receivable for June 30, 2022 and 2023, respectively. Documentation to support these amounts was not available.

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 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. . . ."

STATEMENTS OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS

WEST CENTRAL SERVICE CENTER
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2020 and 2021

Fund	Cash and Investments 07-01-19	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-20	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-21
Education	\$ 15,089	\$ -	\$ -	\$ -	\$ 15,089	\$ -	\$ 4,633	\$ -	\$ 10,456
Operations	9,442	-	6,027	-	3,415	817	2,859	-	1,373
Joint Services Operations	64,086	307,059	302,961	-	68,184	271,286	284,246	-	55,224
General Emergency Fund	4,188	-	-	-	4,188	-	-	-	4,188
Non-English Speaking Program	-	-	250	-	(250)	250	-	-	-
Title II Part A Supporting Effective Instruction	46,764	31,325	33,475	-	44,614	24,125	20,278	-	48,461
Federal Tax Clearing Account	2,212	10,784	10,784	-	2,212	9,921	9,921	-	2,212
Certified Social Security	-	7,539	7,539	-	-	7,132	7,132	-	-
Indiana State Tax Withheld	(2,062)	3,005	3,061	-	(2,118)	2,801	3,163	-	(2,480)
County Tax Clearing	134	1,605	1,631	-	108	1,582	1,770	-	(80)
P E R F Clearing	135	1,919	1,919	-	135	2,011	2,089	-	57
Life/Health Insurance Clearing	3,343	21,439	23,262	-	1,520	28,092	29,103	-	509
Annuity Funds Clearing	(385)	5,520	5,520	-	(385)	6,904	5,520	-	999
Totals	\$ 142,946	\$ 390,195	\$ 396,429	\$ -	\$ 136,712	\$ 354,921	\$ 370,714	\$ -	\$ 120,919

WEST CENTRAL SERVICE CENTER
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2022 and 2023

Fund	Cash and Investments 07-01-21	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-22	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-23
Education	\$ 10,456	\$ -	\$ 280	\$ -	\$ 10,176	\$ -	\$ 8,118	\$ -	\$ 2,058
Operations	1,373	746	2,074	-	45	-	1,019	-	(974)
Joint Services Operations	55,224	334,711	300,945	-	88,990	430,835	409,646	-	110,179
General Emergency Fund	4,188	-	-	-	4,188	-	-	-	4,188
Essa Consort.	48,461	26,391	11,117	-	63,735	2,009	20,676	-	45,068
Federal Tax Clearing Account	2,212	9,528	9,528	-	2,212	14,173	14,179	-	2,206
Certified Social Security	-	7,686	7,686	-	-	12,817	12,821	-	(4)
Indiana State Tax Withheld	(2,480)	2,815	2,775	-	(2,440)	4,853	5,105	-	(2,692)
County Tax Clearing	(80)	1,629	1,617	-	(68)	2,753	2,890	-	(205)
P E R F Clearing	57	1,679	1,679	-	57	1,234	1,157	-	134
Life/Health Insurance Clearing	509	23,434	21,993	-	1,950	22,945	24,153	-	742
Annuity Funds Clearing	999	6,280	6,818	-	461	6,422	5,769	-	1,114
Totals	<u>\$ 120,919</u>	<u>\$ 414,899</u>	<u>\$ 366,512</u>	<u>\$ -</u>	<u>\$ 169,306</u>	<u>\$ 498,041</u>	<u>\$ 505,533</u>	<u>\$ -</u>	<u>\$ 161,814</u>