

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WABASH CITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**

03/22/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Hough	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Amy Sivley	07-01-21 to 06-30-24
President of the School Board	Rod Kelsheimer Rhonda Hipskind	07-01-21 to 12-31-23 01-01-24 to 06-30-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WABASH CITY SCHOOLS, WABASH COUNTY, INDIANA

This report is supplemental to the audit report of the Wabash City Schools (School Corporation), for the period from July 1, 2021 to June 30, 2023. 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 12, 2024

WABASH CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

The School Corporation had not established an effective system of internal controls over payroll disbursements and receipts.

*Payroll Disbursements*

The School Corporation designed an internal control procedure over payroll disbursements involving the review of the payroll disbursements by the Chief Financial Officer and the School Board, but this procedure was not properly implemented during the audit period.

*Receipts*

The School Corporation had not separated incompatible activities related to receipts. The assistant to the Treasurer posted receipts to the system without a documented oversight, review, or approval process to ensure that all receipt activity was accurately recorded.

*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. . . ."

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not established effective internal controls over the grant information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation failed to properly review the grant information prepared and submitted in Gateway. Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

WABASH CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Schedule of Expenditures of Federal Awards (SEFA)*

- The Child Care and Development Block Grant expenditures were overstated by \$785,440 and \$481,017 in fiscal years 2021-2022 and 2022-2023, respectively. Due to including a program that was received as a beneficiary relationship and not as a subrecipient.
- The National School Lunch Program expenditures were understated by \$12,609 and \$155,380 in 2021-2022 and 2022-2023, respectively.
- The Special Education Grants to States expenditures were overstated by \$10,790 and \$19,229 in 2021-2022 and 2022-2023, respectively.
- The COVID-19 - Special Education Grants to States expenditures were understated by \$32,371 in 2022-2023.
- The COVID-19 - Education Stabilization Fund expenditures were understated by \$12,930 in 2022-2023.
- The Medical Assistance Program expenditures were understated by \$19,603 and \$25,989 in 2021-2022 and 2022-2023, respectively.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report for 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 not later than sixty (60) days after the close of each fiscal year. 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:

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WABASH CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

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

*Condition and Context*

The following issues were identified during the testing of Average Daily Membership.

*Brick and Mortar Students*

Twenty-eight brick and mortar students were selected for testing to verify that they were eligible pupils. Proof of residency was not provided for any of the twenty-eight students. In addition, three of the eight students tested for eligible age requirements did not have proper documentation on file to verify they were either at least 5 years old or less than 22 years old.

*Virtual Students*

Eighteen virtual students were selected for testing to verify that they were eligible pupils. Proof of residency was not provided for any of the eighteen students. In addition, one of the two students tested for eligible age requirements did not have proper documentation on file to verify they were less than 22 years old.

*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."

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)

WABASH CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ERRORS ON CLAIMS**

*Condition and Context*

The School Corporation did not provide documentation showing that the gross payroll amount for each pay period was approved by the fiscal officer and the School Board. The claim approved by the fiscal officer and the School Board for payroll included the payroll deductions total but did not include the amount of gross payroll for each pay period.

Also, the School Corporation had not provided claims dockets for the following check numbers, 28900 and 29683, in the amounts of \$5,271 and \$75,387, respectively.

*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. . . ."

**FEDERAL AND STATE AGENCIES - STUDENT ENGAGEMENT POLICY**

*Condition and Context*

The School Corporation did not adopt a student engagement policy for virtual instruction. The School Corporation also did not adopt an Enrollment Policy or a Residency Verification Policy. As a result, the School Corporation was unable to provide proof of residency for all brick and mortar students and all virtual students that were tested. Due to this lack of documentation, we were unable to determine if the students were properly enrolled.

*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:

WABASH CITY SCHOOLS  
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.

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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)

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 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)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances on June 30, 2022 and 2023:

Fund	Amount Overdrawn 6-30-22	Amount Overdrawn 6-30-23
Education	\$ 152,107	\$ -
Operations	1,228,859	651,741

Funds with overdrawn cash balances, as a result of grants awaiting reimbursements, were not included in the list above.

*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)

WABASH CITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2024, with Dr. Amy Sivley, Superintendent of Schools; Michele Hough, Treasurer; Rhonda Hipkind, President of the School Board; Jason Fry, Secretary of the School Board; and Matt Stone, Chief Operating Officer.