

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAWASEE COMMUNITY SCHOOL CORPORATION

KOSCIUSKO COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
06/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Flecker (Vacant) Rachel Moore	07-01-21 to 06-14-22 06-15-22 to 07-11-22 07-12-22 to 06-30-24
Superintendent of Schools	Dr. Stephen Troyer	07-01-21 to 06-30-24
President of the School Board	Don Bokhart	07-01-21 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WAWASEE COMMUNITY SCHOOL
CORPORATION, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Wawasee Community School Corporation (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/.

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

May 13, 2024

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

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 had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

- The Clearing fund receipts and disbursements were understated by \$5,790,996 and \$5,797,036, respectively, for fiscal year 2022-2023, resulting in an ending cash and investments balance overstatement of \$6,040, as of June 30, 2023.
- Proceeds of long-term debt were incorrectly presented in the Wcsc G.O. Bond Series 2022 fund as a sale of capital assets, resulting in an equal \$5,765,306 understatement and overstatement, respectively, of other financing sources, for 2022-2023.
- The Self Insurance fund other financing sources related to transfers in and receipts were equally understated and overstated, respectively, by \$1,000,000, for 2021-2022.
- Several additional funds had individually immaterial errors or omissions that resulted in the cash and investments beginning balance being understated by \$96,064, as of July 1, 2021, receipts and disbursements being understated by \$612,040 and \$609,152 for 2021-2022, and the cash and investments being understated by \$98,952, as of June 30, 2022. In addition, disbursements were understated by \$5,578 for 2022-2023, which resulted in the cash and investments ending balance being understated by \$93,374 as of June 30, 2023.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report for the School Corporation.

Grants

- The Summer Food Service Program for Children was omitted, which understated expenditures by \$82,234 and \$43,650 for 2021-2022 and 2022-2023, respectively.
- The COVID-19 - Pandemic EBT Administrative Costs program was omitted, which understated expenditures by \$3,063 and \$3,135 for 2021-2022 and 2022-2023, respectively.
- The Medical Assistance Program was omitted, which understated expenditures by \$43,546 for 2021-2022.
- The COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) program was omitted, which understated expenditures by \$35,814 for 2021-2022.
- The School Breakfast Program was omitted, which understated expenditures by \$234,279 for 2022-2023.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- The Special Education Grants to States expenditures were overstated by \$1,181,419 for 2022-2023.
- The Title I Grants to Local Educational Agencies expenditures were overstated by \$1,084,654 for 2022-2023.
- The COVID-19 - Education Stabilization Fund expenditures were overstated by \$561,888 for 2022-2023.
- The Child Care and Development Block Grant expenditures, totaling \$323,074, were incorrectly presented for 2022-2023, as the School Corporation was considered a beneficiary of the funds not a subrecipient.
- Sixteen additional federal grants had individually immaterial errors, or omissions that resulted in misstatements of expenditure of \$268,476, in total, for 2021-2022. Twelve additional federal grants had individually immaterial errors or omissions that resulted in misstatements of expenditures of \$489,167, in total, for 2022-2023.
- Other errors included incorrect program names, federal grantor agencies, and pass-through entities.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report for the School Corporation.

Leases and Debt

- Annual lease payments related to multiple lease agreements with the Wawasee Community School Corporation New Elementary & Remodeling Building Corporation and the Wawasee High School Building Corporation were aggregately overstated by \$1,370,500 and \$1,224,500, respectively, as of June 30, 2023.
- Principal due within one year for General Obligation Bonds, Series 2020, 2021, and 2022, was overstated by \$680,000, \$535,000, and \$465,000, respectively, as of June 30, 2023.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the School Corporation.

Capital Assets

The School Corporation was unable to provide documentation to support the capital assets information entered into Gateway. As a result, the Schedule of Capital Assets was not presented in the Financial Statement Audit Report for the School Corporation.

Payables and Receivables

The School Corporation was unable to provide documentation to support the payables and receivables information entered into Gateway. As a result, the Schedule of Payables and Receivables was not presented in the Financial Statement Audit Report for the School Corporation.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 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](#)."

BANK ACCOUNT RECONCILIATIONS - INVESTMENTS

Condition and Context

The School Corporation did not establish internal controls over the completion of depository reconciliations of the investment balances to the fund balances. Depository reconciliations were completed throughout the audit period; however, the reconcilements did not include all outstanding investments. The depository reconcilements did not include investment balances as of June 30, 2022, and June 30, 2023, totaling \$8,505,532 and \$10,536,029, respectively. Depository reconcilements prepared by the Indiana State Board of Accounts, which included the investments, reconciled to the funds ledger as of June 30, 2022, and June 30, 2023.

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:

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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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."

COLLECTION OF AMOUNTS DUE

Condition and Context

The School Corporation adopted Policy 6151 entitled Bad Checks and Uncollectible Debts on March 10, 2009, which outlines the procedures to follow for collecting amounts due the School Corporation. The School Corporation was unable to provide supporting evidence that they were following Policy 6151 in order to collect amounts owed to them related to school food accounts for fiscal year 2022-2023 and textbook rental for 2021-2022 and 2022-2023.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

CAPITAL ASSETS

A similar comment also appeared in prior Report B61213, 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, evidence to support the School Corporation completed a physical inventory of capital assets during the audit period could not be provided.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B61213, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Condition and Context

The School Corporation could not provide evidence that monthly reconcilements between the Prepaid School Meal fund and the subsidiary ledger of student account balances were being completed during the audit period. The Prepaid School Meal fund balance was greater than the subsidiary ledger balance at June 30, 2022, and June 30, 2023, by \$71,382, and \$76,346, respectively.

Criteria

When a student puts money into their individual meal account, it 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 money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B61213, entitled *INTERNAL CONTROLS - TRAINING*.

Condition and Context

The School Corporation did not have supporting documentation to confirm employees 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 were developed or approved by the Indiana State Board of Accounts.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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."

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 years 2021-2022 and 2022-2023 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.

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](#)."

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had designed an internal control system that separated incompatible activities related to vendor disbursements; however, during the audit period, the internal control system was not consistently implemented. One School Corporation employee would prepare vendor disbursement claims, but a separate employee was not consistently reviewing them.

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:

WAWASEE COMMUNITY SCHOOL CORPORATION
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.

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. . . ."

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation was unable to provide appropriate documentation to substantiate that students claimed for Average Daily Membership (ADM) were eligible pupils. Of 28 brick and mortar students, and 36 virtual students tested, the following was identified:

- Proof of residency documentation on file for 19 brick and mortar students and 20 virtual students did not meet the Expectations for Student Residency Verification outlined in the School Corporation's policy manual.
- The School Corporation was unable to provide proper documentation for 7 brick and mortar students and 16 virtual students to verify they were Indiana residents.
- The School Corporation was unable to provide proper proof of age documentation for two kindergarten brick and mortar students and one grade 12 virtual student to verify the students met age requirements.

Additionally, the School Corporation could not provide for audit the September 2021 signed certification of ADM that was submitted to the Indiana Department of Education.

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.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

Condition and Context

For fiscal year 2021-2022, there were differences identified between the Membership Report (ME Report) submitted to the Indiana Department of Education and the State Tuition Support Worksheet created by the School Corporation. The ME Report for September 2021 listed 27 virtual students; however, on the State Tuition Support Worksheet for the same period, the 27 virtual students were designated as brick and mortar students. Funding for some students enrolled in a virtual program is calculated at 85 percent of the funding of brick and mortar students.

Criteria

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)

School Officials shall contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONFLICT OF INTEREST

Condition and Context

It was identified that during the audit period that the School Corporation had entered into related-party transactions with two vendors involving School Board member, Andy Cripe (Cripe). Cripe is considered a "public servant" per Indiana Code 35- 31.5-2-261. With respect to Stealth Shield, LLC, Cripe's wife served as the "Manager" and Treasurer of the entity, per a review of documents on file with the Indiana Secretary of State (SOS). With respect to Hammerhead Enterprises IN, LLC, Cripe served as President of the entity, while his wife serves as "CFO," per business entity filings with the SOS.

WAWASEE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Based upon the circumstances, the Indiana State Board of Accounts (SBOA) would expect a conflict of interest disclosure for these related-party transactions to be filed. However, there was no evidence to support a conflict of interest disclosure was filed with the SBOA or the Kosciusko County Clerk of the Circuit Court during the audit period that covered these matters. The related-party transactions in 2022 totaled \$1,934 to Stealth Shield, LLC, and in 2023 \$4,990 to Hammerhead Enterprises IN, LLC. Additionally, subsequent period related-party transactions were identified, totaling \$21,798 to Stealth Shield, LLC.

Criteria

Indiana Code 35-44-1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

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

WAWASEE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2024, with Rachel Moore, Treasurer; Dr. Brandon Penrod, Financial Consultant; Don Bokhart, President of the School Board; and Dr. Stephen Troyer, Superintendent of Schools.