

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WASHINGTON COMMUNITY SCHOOLS, INC.  
DAVISS COUNTY, INDIANA  
July 1, 2017 to June 30, 2019



**FILED**  
03/11/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	01-01-17 to 12-31-20
Superintendent of Schools	Dr. Daniel Roach	07-01-17 to 06-30-20
President of the School Board	Steven K. Frette Randy Bouchie	01-01-17 to 12-31-19 01-01-20 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY  
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Washington Community Schools, Inc. (School Corporation), for the period from July 1, 2017 to June 30, 2019. 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 our 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.

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

February 26, 2020

WASHINGTON COMMUNITY SCHOOLS, INC.  
AUDIT RESULTS AND COMMENTS

**PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

The School Corporation Officials were not reconciling the total of the individual meal accounts to the cash balance of the Pre-paid Student Lunch fund (8400) on a monthly basis.

*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 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 the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of the activity in the Self-Insurance Reserve fund.

The School Corporation utilized a third-party administrator to administer the Washington Community Schools Employee Benefit Trust (Self-Insurance Reserve fund). The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income, expenditures, and ending cash balances. There was no evidence of any controls, such as an oversight, review, or approval process, to verify that the information received from the administrator was accurate.

The Self-Insurance fund was not recorded in the ledgers of the School Corporation or reported on the financial statement. The omitted fund resulted in the following understatements:

<u>Years</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
2017-2018	\$ 3,661,960	\$ 2,980,166	\$ 2,355,258
2018-2019	2,018,117	1,944,949	2,428,426

Audit adjustments were proposed, accepted by management and made to the financial statements.

WASHINGTON COMMUNITY SCHOOLS, INC.  
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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

WASHINGTON COMMUNITY SCHOOLS, INC.  
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2020, with Dr. Daniel Roach, Superintendent of Schools; Carrie Alford, Treasurer; Steven K. Frette, School Board member; and Jay Armes, School Board member.