

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
TIPPECANOE COUNTY, INDIANA
July 1, 2019 to June 30, 2021



FILED
06/20/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Treasurer:	
Audit Results and Comments:	
Financial Transactions and Reporting	6-7
Contracts	7
Certification on Internal Control Standards	8
Official Response.....	9-10
Exit Conference	11
School Board:	
Audit Result and Comment:	
Training on Internal Control Standards	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ross Sloat Stephen Ohlhaut	07-01-19 to 03-30-22 04-01-22 to 06-30-22
Superintendent of Schools	Dr. Rocky Killion Ross Sloat Michael Pettibone Dr. Shawn Greiner	07-01-19 to 06-30-21 07-01-21 to 07-12-21 07-13-21 to 01-31-22 02-01-22 to 06-30-22
President of the School Board	Alan Karpick Rachel Witt	07-01-19 to 12-31-21 01-01-22 to 06-30-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WEST LAFAYETTE COMMUNITY SCHOOL
CORPORATION, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the West Lafayette Community School Corporation (School Corporation), for the period from July 1, 2019 to June 30, 2021. 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/.

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 31, 2022

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TREASURER
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION

TREASURER
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

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 a system of internal control or separated incompatible activities related to cash and investments and financial close and reporting.

Cash and Investments

The School Corporation had not properly designed or implemented internal controls to ensure that all funds were properly recorded and reconciled. In July 2017, the School Corporation received proceeds from the sale of land with the restriction it be used for construction costs. The proceeds from the sale were deposited in a separate trust bank account in the name of the School Corporation; however, the proceeds were not recorded on the School Corporation's financial ledgers when it was received, nor was it reported on the financial statement. Additionally, the funds in the construction bank account were not included in the School Corporation's monthly bank reconcilements.

Financial Reporting

The School Corporation had not properly designed or implement internal controls to ensure that the financial statement was accurate and complete. The School Corporation did not have effective internal controls in place that detected or corrected errors.

Due to the lack of effective internal controls, the financial statement included the following errors:

1. The 2017 Construction Fund, which included the cash from the land sale as noted above, was omitted from the financial statement. The 2017 Construction Fund should have reported beginning cash and investments of \$7,407,671; receipts of \$106,332; disbursements of \$2,824,421; and ending cash and investments of \$4,689,582 for fiscal year 2019-2020. The 2017 Construction fund should have reported beginning cash and investments of \$4,689,582; receipts of \$176,672; disbursements of \$1,140,713; and ending cash and investments of \$3,725,541 for 2020-2021. Receipts for the audit period consisted only of interest received. Disbursements from the 2017 Construction Fund were approved by the School Board at the monthly meetings and draw requests were submitted to the bank trustee for payment.
2. The Clearing Fund receipts and disbursements were understated by \$12,921,815 and \$13,094,720, respectively, for 2019-2020; and understated by \$5,281,598 and \$5,261,878, respectively, for 2020-2021.
3. Several additional funds had individually immaterial errors that resulted in an aggregate misstatement of receipts, disbursements, and other financing sources and uses of \$2,224,571, \$1,153,230, and \$1,037,998, respectively, for 2019-2020; and \$319,966, \$1,462,589, and \$0, respectively, for 2020-2021.

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

TREASURER
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

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. . . ."

"Management remediates identified issues. . . ."

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](#)."

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."

CONTRACTS

Condition and Context

A School Corporation retired employee was contracted by the School Board, per minutes dated February 3, 2020, to continue working as a consultant for the School Corporation. The School Board approved a rate not to exceed eight days per month at a daily rate of \$300 per day. During the audit period, the contracted employee was paid for 17 months, and overpayments occurred in 8 of those months. The total overpayment for the audit period was \$5,700.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TREASURER
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation certified on the Indiana Gateway for Government Units financial reporting system, for fiscal years 2019-2020 and 2020-2021, that employees had completed training on internal control standards; however, for 2019-2020, documentation could not be provided to verify that the training occurred. In 2020-2021, training was not conducted due to COVID restrictions; therefore, the certification was incorrect.

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](#)."

West Lafayette Community School Corporation

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OFFICIAL RESPONSE

Date: June 9, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: West Lafayette Community School Corporation Audit Results and Comments

Finding on Financial Statements

We understand the audit position of the State Board of Accounts on this finding, with the following context.

1.) The receipt of proceeds from the sale of land to the West Lafayette School Building Corporation (the "Building Corporation") in July 2017 was part of the issuance of Bonds for Construction. These proceeds were appropriated by the School Board after a public hearing by the adoption of an Additional Appropriation Resolution in December 5, 2016 in the total amount of \$49,700,000. The real estate sold to the Building Corporation was appraised by professional appraisers and approved by the Tippecanoe County Circuit Court and such bond proceeds in the amount of \$7,444,000 were transferred into a Construction Depository Account in the name of the School Corporation pursuant to a Depository Agreement dated July 11, 2017 with Huntington Bank.

Disbursements from the account were processed pursuant to the terms of the Depository Agreement upon authorization from the Interim CFO. Such Requests for Payment from this Account were made in the same form and manner as disbursements from the Building Corporation Construction Account created at this Bond issuance which included being listed in the monthly Accounts Payable report approved by the Board of School Trustees at public school board meetings. Management was advised that these bond proceeds should be held in a separate account from other school funds in order to track them for Federal tax purposes and believed at that time that these proceeds were to be treated as Building Corporation assets and not included on the School Corporation's financial statements.

Internal controls to spend said funds followed the Depository agreement with the Trustee Bank. Failure to list these funds on School Corporation financial statements resulted from previous Management's belief that these funds were to be handled in the same manner as Building Corporation assets.

Disbursements from such account were otherwise processed like any other school funds including approval by the School Board at public meetings as part of its monthly claims process.

2.) In response to the request for Form 13 reports (the financial statements provided to the Auditors at the beginning of the audit), the school corporation generated financial statements that mirror the Form 9, which excludes Clearing Funds. We did not realize that Clearing Funds were reportable on Form 13 at the time it was submitted. All future SBOA financial reporting will include the Clearing Funds, regardless of differences with Form 9.

3.) The two software systems used during the audit period reported certain transactions (such as transfers) in different ways. In working through these inconsistencies in the software, these individually immaterial errors became part of the Financial Statement. Beginning and ending balances were not affected.

Finding on Contracts

The terms of contracted employment for this employee appeared only in the Personnel Report, which inhibited internal controls in monitoring compliance with the terms both by the employee and Management. Signed agreements will be issued for all contracted employees, a copy kept on file with other contracts to facilitate proper monitoring and internal controls on the contract terms by accounts payable personnel, and a copy issued to the contracted employee to assure agreement with and compliance with its terms.

Finding on Internal Controls Training

Before the school year starts, the Central Office has an annual meeting with the school building secretaries to review expectations and processes. Included in this is an overview of Internal Controls and Policies expected at the building level, with cash management reminders and expectations. There is a sign-in sheet at the beginning of the meeting, as well as an agenda with a signature line at the bottom for everyone to sign. We have had these available to present during our State Board of Accounts audits. During the 2019-2021 audit period we did hold a meeting but failed to upload and save the signed agendas. For the second year of the audit we were in the midst of COVID challenges and did not host an in-person meeting. Through some staffing changes and hiring, we have transitioned to online training through SafeSchools (which is a S.B.O.A. approved training for Internal Controls) and have added it to our annual list of required courses, even though it is not required by the State to do as often. We can then pull a report off the SafeSchools website when requested by the S.B.O.A. to show when and by whom the trainings were completed.


Stephen Ohlhaut
Chief Financial Officer

TREASURER
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2022, with Stephen Ohlhaut, Treasurer; Dr. Shawn Greiner, Superintendent of Schools; Rachel Witt, President of the School Board; Janelle Wade, Deputy Treasurer; Amy E. Austin, School Board member; Bradley W. Marley, School Board member; Thomas Schott, School Board member; and Karen S. Springer, School Board member.

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SCHOOL BOARD
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION

SCHOOL BOARD
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation stated the internal control training occurred in August 2019 for fiscal year 2019-2020; however, signed attendance sheets or other documentation of the training was not presented for audit. The School Corporation stated that internal control training was not conducted for 2020-2021 due to COVID restrictions.

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."

SCHOOL BOARD
WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

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