

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GOSHEN COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**

12/21/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kelley D. Kitchen Dr. Robert J. Evans Whitney Dixon	07-01-18 to 06-18-21 06-19-21 to 10-10-21 10-11-21 to 12-31-22
Superintendent of Schools	Dr. Diane B. Woodworth Dr. Steven Hope (interim) Dr. Steven Hope	07-01-18 to 06-30-20 07-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the School Board	Felipe Merino Bradd Weddell	07-01-18 to 12-31-18 01-01-19 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE GOSHEN COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Goshen Community Schools (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 14, 2022

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

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

*Cash and Investments*

The School Corporation did not establish internal controls over cash and investments, including the completion of depository reconciliations of the bank account balances to the fund balances. Reconciliations provided for audit were generated from the accounting system; however, the reconciled cash accounts in the system did not materially agree with the fund balances. During the course of the audit, it was discovered that postings within a donation fund in the general ledger were used to force the system to reconcile. As a result, the donation fund was not reported in the financial statement.

Depository reconciliations were updated for June 30, 2019, and June 30, 2020, to include a reconciliation of the bank account balances to the fund balances. As of June 30, 2020, there was an unidentified difference between the reconciled bank account balances and the financial statement fund balances of \$76,313.

*Receipts*

The School Corporation did not implement effective internal control activities related to receipts. There was no oversight or monitoring of receipts electronically deposited in the School Corporation's bank accounts, as to ensure the timely and proper recording of funds received. One employee posted the receipts to the general ledger with no evidence to support a review by a separate employee.

During the course of the audit, it was discovered that local distributions, which were electronically deposited, were incorrectly posted to the general ledger as noted in the following table.

Distribution Period	Fund	Remittance Amount	General Ledger Posting Amount	Variance
June 2019	Operating Referendum Tax Levy	\$ 2,078,346	\$ 4,047,925	\$ 1,969,579
June 2019	Debt Service	3,848,800	3,986,278	137,478
June 2019	Referendum Debt Exempt Capital	963,530	998,536	35,006
June 2019	Operations	3,934,608	2,357,624	(1,576,984)
June 2019	Education	42,920	-	(42,920)
December 2019	Operating Referendum Tax Levy	1,745,299	(215,876)	(1,961,175)
December 2019	Referendum Debt Exempt Capital	812,473	807,394	(5,079)
December 2019	Operations	3,283,725	5,249,979	1,966,254
Total Over/(Under) General Ledger Posting				<u>\$ 522,159</u>

Additionally, there was \$26,574 of federal grant reimbursements which pertained to the Child Nutrition Cluster that were incorrectly posted in the Operations fund, and not the School Lunch fund.

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Finally, there was no evidence obtained to support that the reviewer of food service receipt postings examined point of sale reports to confirm lunchroom transactions were completely and accurately recorded in the general ledger.

*Other Financing Sources*

The School Corporation did not implement effective internal controls related to other financing sources. There was no oversight or monitoring of proceeds of long-term debt electronically deposited in the School Corporation's bank accounts, as to ensure the timely and proper recording of funds received. One employee posted the proceeds to the general ledger, with no evidence to support a review by a separate employee.

General obligation bond proceeds for 2018 were incorrectly posted in the general ledger that required management to make a manual adjustment within the financial statement to fairly present the bond proceeds.

*Financial Close and Reporting*

The School Corporation did not implement effective internal controls over financial close and reporting. The School Corporation submitted financial information to the Indiana Department of Education through a Form 9. The Form 9 was used to compile the financial statement for the Indiana State Board of Accounts to audit. The compiled financial statement from the Form 9s did not materially agree with the records of the School Corporation.

It was later determined, by the Indiana State Board of Accounts, that accounting periods were not properly closed which allowed management to backdate correcting entries from the date the error occurred. The backdating of correcting entries allowed submitted Form 9 data to no longer agree with the records of the School Corporation. As a result, the financial statement was compiled from the trial balance generated from the School Corporation's accounting system.

Due to the lack of effective internal controls, the Form 9s had the following variances compared to the financial statement compiled from the trial balance:

1. Cash and investments beginning balance at July 1, 2018, was understated by \$400,001.
2. Total receipts were understated by \$5,703,284 and overstated by \$1,971,907 for fiscal years 2018-2019 and 2019-2020, respectively.
3. Total disbursements were understated by \$11,823,497 and \$9,620,590 for 2018-2019 and 2019-2020, respectively.
4. Total other financing sources (uses) were overstated by \$9,148 and understated by \$6,851,710 for 2018-2019 and 2019-2020, respectively.
5. Cash and investments ending balances at June 30, 2019, and June 30, 2020, were overstated by \$5,729,360 and \$10,470,148, respectively.

GOSHEN COMMUNITY SCHOOLS  
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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. The evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing board or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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](#)."

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**MISAPPROPRIATION OF FUNDS**

*Condition and Context*

Through a cancelled flight reservation due to COVID-19 protocols, the airline offered reimbursement for six passengers of the School Corporation. One of the six passengers, management personnel, had the funds associated with their reservation reimbursed as Rapid Rewards points and applied to their personal account. The original value of the flight converted to points was \$318.

*Criteria*

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Report B52502, entitled *OVERDRAWN CASH BALANCES*.

*Condition and Context*

The financial statement included the following funds with overdrawn cash balances that were not attributed to the timing of reimbursements.

Fund	Amount Overdrawn June, 30 2019	Amount Overdrawn June, 30 2020
Construction	\$ 1,554,800	\$ -
School Lunch	776,142	2,339,378
Child Care Program	16,852	48,295
GCS Training Fund	87,986	435,021
AWS Foundation Grant	1,225	2,413
Pool (Recreation)	-	70,478
Tech Warranty Account	675	-
GMS Pool	59,841	30,410
Background Checks (In/Out)	-	9,253
Para Pro Exams	-	1,430
Totals	<u>\$ 2,497,521</u>	<u>\$ 2,936,678</u>

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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 - OTHER INFORMATION**

*Condition and Context*

Supplemental schedules in the Annual Financial Report (Other Information), as reported on the Indiana Gateway for Government Units (Gateway) financial reporting system, contained numerous material errors.

The School Corporation was unable to provide a detail listing of capital assets to support the values reported in the Schedule of Capital Assets in Gateway. The Schedule of Capital Assets was not presented in the Financial Statement Audit Report.

At June 30, 2020, the School Corporation did not accurately report Ending Principal Balances, Principal and Interest Due Within One Year, and Annual Lease Payments in the Schedule of Leases and Debt in Gateway. One debt instrument and one lease were also omitted from the schedule. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report.

The School Corporation was unable to provide documentation to support the accounts receivable amount reported in the Schedule of Payables and Receivables in Gateway. The Schedule of Payables and Receivables was not presented in the Financial Statement Audit Report.

*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](#)."

**CAPITAL ASSETS**

*Condition and Context*

The School Corporation did not maintain a complete detailed listing of capital assets during the audit period. In addition, a complete physical inventory of capital assets was not completed.

GOSHEN COMMUNITY SCHOOLS  
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**

*Condition and Context*

The control ledger for the Prepaid Food fund did not reconcile to the detail of individual meal accounts in the subsidiary ledger. The control ledger balance on June 30, 2019, was \$901,688, while the detail on the subsidiary ledger was \$38,366. The control ledger balance on June 30, 2020, was \$1,212,345, while the detail on the subsidiary ledger was \$61,756.

*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)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

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

*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."

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The School Corporation certified on the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system for 2018 and 2019 that all 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 provided. Therefore, the AFRs for 2018 and 2019 were 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](#)."

GOSHEN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2022, with Dr. Robert J. Evans, Chief Financial Officer; Whitney Dixon, Treasurer; Dr. Steven Hope, Superintendent of Schools; Mario Garber, Vice President of the School Board; Roger Nafziger, Secretary of the School Board; Amanda Qualls, School Board member; Jose Elizalde, School Board, member; and Allan Kauffman, School Board member.