

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTERN SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
02/03/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brook Cleaver	07-01-20 to 02-07-22
	Melissa Hall	02-08-22 to 06-30-22
	Kyle Zahn	07-01-22 to 06-30-23
Superintendent of Schools	Randy McCracken	07-01-20 to 06-30-21
	Kathryn Reckard	07-01-21 to 06-30-22
	Mark DuBois	07-01-22 to 06-30-23
President of the School Board	Scott Gaskins	07-01-20 to 12-31-20
	Donna Shepherd	01-01-21 to 12-31-21
	Lynn Hale	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Western School Corporation (School Corporation), for the period from July 1, 2020 to June 30, 2022. 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

January 19, 2023

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation had not provided documentation of responsibility for the Average Daily Membership (ADM) for fiscal year 2021-2022. Building level officials did not certify the ADM in the form of a written certification to the School Corporation. Building level officials are responsible for reporting ADM to the School Corporation; therefore, the ADM reported to the School Corporation for 2021-2022 was not properly certified prior to the Superintendent of Schools verifying the ADM count and submitting to the Indiana Department of Education.

In addition, students recorded as virtual students in the September 2020, February 2021, and September 2021 counts, should have been recorded as brick-and-mortar students.

The School Corporation was unable to provide birth certificates as proof of age for 6 of the 52 students tested.

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)

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)

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The School Corporation's detailed listing of capital assets was not updated and maintained accurately during the audit period. The detailed listing of capital assets did not include acquired items or items that should have been disposed for the school year ended June 30, 2022. During testing, there were three capital assets disposed of that remained on the listing, and three capital assets acquired that were not properly added to the listing.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Condition and Context

The School Corporation had not properly reported federal grant information. The Schedule of Expenditures of Federal Awards (SEFA), commonly referred as the grant schedule in the Annual Financial Report, contained material errors within the report. Expenditures for the Child Nutrition Cluster were understated by \$711,173 for the school year ended June 30, 2022. In addition, the SEFA included other errors such as incorrect program names, pass-through entities, Federal Assistance Listings Numbers, and identifying numbers.

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)

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](#)."

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to receipts and other financing sources. The School Corporation had not properly implemented internal controls to ensure that receipts and other financing sources were properly recorded. There was no evidence provided of an oversight or review process.

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. . . ."

PREPAID SCHOOL LUNCH ACCOUNTS

Condition and Context

The School Corporation's Prepaid School Lunch Accounts fund was not in agreement with subsidiary records of the student accounts for the school years ended June 30, 2021 and 2022. Subsidiary records of the student accounts reflected balances of \$41,944 and \$36,496 at June 30, 2021, and June 30, 2022, respectively. The Prepaid School Lunch Accounts fund balance at June 30, 2021, and June 30, 2022, was \$68,045 and \$63,094, respectively. The School Corporation also was not performing monthly reconciliations of the Prepaid School Lunch Accounts fund with the individual meal accounts as required.

In addition, disbursements from the Prepaid School Lunch Accounts fund to the School Lunch fund were recorded using account 60100 Transfers rather than account 31900 Other Food Service.

WESTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT

Condition and Context

The Schedule of Capital Assets was not properly maintained for the audit period. The schedule did not contain all purchases or disposals for the audit period. The School Corporation requested the Schedule of Capital of Assets not be included in the Financial Statement Audit Report due to it not being properly maintained for the audit period.

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](#)."

WESTERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 19, 2023, with Lynn Hale, President of the School Board; Mark DuBois, Superintendent of Schools; Kyle Zahn, Treasurer; and Dana Blumm, Deputy Treasurer.