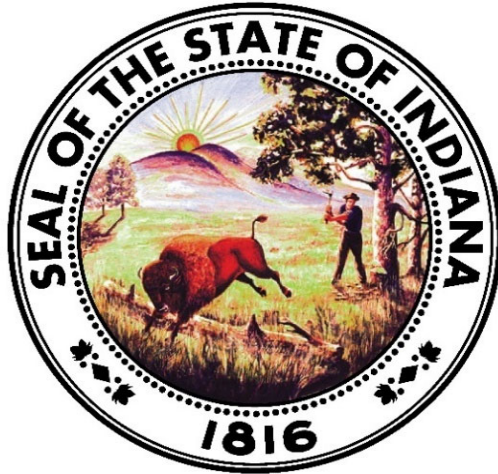


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
UNION TOWNSHIP SCHOOL CORPORATION
PORTER COUNTY, INDIANA
July 1, 2020 to June 30, 2022



FILED
02/07/2023

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Philip McKelvey | 07-01-20 to 06-30-23 |
| Superintendent of Schools | John Hunter | 07-01-20 to 06-30-23 |
| President of the School Board | Julie Giorgi Michael Simatovich Robert Tichy | 07-01-20 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 06-30-23 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE UNION TOWNSHIP SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Union Township 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 23, 2023

UNION TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

Condition and Context

The School Corporation had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement). One employee prepared and entered the financial information without a documented review or oversight in place to prevent, or detect and correct, errors on the financial statement.

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. . . ."

AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation had an internal control process in place over Average Daily Membership (ADM) counts, however; it was deemed ineffective due to variances noted in the pupil counts per the Membership Report (DOE-ME) report and the School Corporation's supporting documentation. These variances could not be explained by the School Corporation due to personnel changes. Due to the ineffective control process and change in personnel, the variances could not be explained, and some students lacked supporting documentation as noted below:

Brick and Mortar

We were unable to determine that 3 of 60 students tested were eligible pupils. The School Corporation did not retain documentation of enrollment, attendance, or residency for 1 student and proof of residency documentation could not be provided for 2 students.

UNION TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Virtual Due to COVID

We were unable to determine that 3 of 60 students were eligible pupils. The School Corporation lacked documentation for enrollment and attendance for one student, another student lacked documentation for the age requirement, and the residency documentation was not presented for 1 student.

Virtual

For the Spring 2021 count date, the School Corporation's DOE-ME report count included three virtual students that were included in the Brick and Mortar ADM count. For the Fall 2021 count date, the School Corporation's DOE-ME report count included six virtual students; however, the ADM count reported only two virtual students. The variances could not be explained by school personnel.

In addition, we were unable to determine that one of four students tested were eligible pupils. The School Corporation mistakenly reported one student as a Virtual student, but the student should have been reported as a Brick and Mortar student.

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:

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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 5-15-6-3 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."

UNION TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and supplementary information are required to be reported annually on the Indiana Gateway for Government Units financial reporting system. The School Corporation was not in compliance as follows:

Schedule of Capital Assets

The School Corporation's Construction-in-Progress category of capital assets was overstated by \$7,401,956. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Capital Assets presented in the Financial Statement Audit Report.

Schedule of Leases and Debts

The School Corporation misclassified the capital leases with the Wheeler-Union Township School Building Corporation as general obligation bonds. This resulted in the overstatement of the general obligation debt Ending Principal Balance and Principal and Interest Due Within One Year by \$22,258,350 and \$2,276,896, respectively, and the understatement of the Total Annual Lease Payments by \$2,249,359. Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt 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](#)."

UNION TOWNSHIP SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2023, with Philip McKelvey, Treasurer; John Hunter, Superintendent of Schools; Leigh Barnes, Assistant Superintendent of Schools; Lori McLaughlin, Vice President of the School Board; and Kevin Ribordy, School Board member.