

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEW PRAIRIE UNITED SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



**FILED**

03/17/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James G. Holifield (Vacant) Tim Scott	07-01-20 to 05-26-22 05-27-22 to 06-19-22 06-20-22 to 06-30-23
Superintendent of Schools	Dr. Paul White	07-01-20 to 06-30-23
President of the School Board	Phillip King	07-01-20 to 06-30-23



**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 NEW PRAIRIE UNITED SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the New Prairie United 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/](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

February 27, 2023

NEW PRAIRIE UNITED 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. Segregation of duties for cash and investments and financial reporting had not been properly designed or implemented to prevent, or detect and correct, errors.

*Cash and Investments (Bank Reconciliations)*

The School Corporation did not properly ensure implementation of internal control processes over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers continued after a change in personnel.

One employee performed the bank reconciliations without a documented oversight or review process to ensure the bank reconciliations were prepared timely and accurately.

*Financial Reporting*

The School Corporation did not have effective internal controls to detect and prevent errors when completing, submitting, or reviewing the Annual Financial Report entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

The School Corporation omitted the financial activity and balances of five clearing funds from the financial statement. In addition, several reported funds receipts, disbursements, and other financing sources and uses did not agree to the ledger.

The lack of effective internal controls allowed the following material misstatements to remain undetected:

1. The understatement of the July 1, 2020 cash and investments balances by \$5,627.
2. The understatement of receipts and disbursements by \$23,060,778 and \$25,622,483, respectively.
3. The overstatement of other financing sources and uses by \$3,594,669 and \$811,910, respectively.
4. The overstatement of the June 30, 2022 cash and investment balances by \$5,338,836.

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

*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:

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

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](#)."

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

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

#### *Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis (Combining Schedule)*

The School Corporation omitted the financial activity and balances of five funds from the Combining Schedules. In addition, several reported funds' receipts, disbursements, and other financing sources and uses did not agree to the ledger. These variances resulted in the following:

1. The understatement of the July 1, 2020 cash and investments balances by \$5,627.
2. The understatement of receipts and disbursements by \$23,060,778 and \$25,622,483, respectively.
3. The overstatement of other financing sources and uses by \$3,594,669 and \$811,910, respectively.
4. The overstatement of the June 30, 2022 cash and investment balances by \$5,338,836.

Audit adjustments were proposed, accepted by the School Corporation, and made to the Combining Schedules presented in this report.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Grant Schedule*

The Grant Schedule entered into Gateway contained the following errors:

1. The School Breakfast Program expenditures were understated by \$71,434.
2. The National School Lunch Program expenditures were understated by \$304,764, and Commodities expenditures were overstated by \$133,564.
3. The COVID-19 - Education Stabilization Fund expenditures were understated by \$638,675.
4. The Title I Grants to Local Education Agencies expenditures were understated by \$293,656.
5. The Medicaid Cluster was omitted, which understated expenditures by \$156,229.
6. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$16,607, in total.
7. Other errors included incorrect federal grantor agency names, program names, cluster names, pass-through entities, and identifying numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the Grant Schedule, which is the source of the Schedule of Expenditures of Federal Awards.

*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](#)."

**COMPENSATION AND BENEFITS**

*Condition and Context*

A School Board approved salary schedule for noncertified personnel was not provided for audit. The Treasurer and Payroll and Human Resource Coordinator computed the noncertified personnel rates of pay based on old salary schedule and School Board approved increases over the years; however, the schedule was not School Board approved and did not include all noncertified positions. Additional audit time was spent performing other procedures to ascertain if the salaried and wages paid to noncertified personnel were in compliance with School Board approved rates.

*Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-26-5-4(a)(8) gives the board of school trustees the power to fix and pay the compensation of noninstructional employees, classify such persons or services and adopt schedules of salaries or compensation. Such salary or compensation schedules must be made a part of the board minutes when not entering into written contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**PREPAID SCHOOL MEAL ACCOUNTS**

The same comment also appeared in the prior Report B56844.

*Condition and Context*

The School Corporation was not properly recording the gross receipts and disbursements in the School Nutrition Clearing fund. The School Corporation calculated the difference between what was collected from students and adults and the charged meals, and receipted the difference into the School Nutrition Clearing fund. The School Corporation would subsequently disburse that amount to the School Lunch fund as program income. Beginning in March of 2021, the School Corporation recorded receipts and disbursements based on reports from the school lunch software system.

However, the School Corporation failed to report receipts or disbursements for the School Nutrition Clearing fund. Thus, we requested school officials to determine the financial activity from the school lunch software system. The School Corporation provided spreadsheets summarizing the monthly activity from the Prepay Report of total collected, total spent, balance adjustments, and ending balances. Additional audit procedures were performed to verify the activity provided. However, school officials could not explain the activity identified as balance adjustments or provide supporting documentation and at times the ending balance of one month was not the beginning balance of the following month.

Furthermore, the School Corporation was unable to provide subsidiary student account records that reconcile to the School Nutrition Clearing fund. The School Corporation had not properly reconciled on a monthly basis the balance of the School Nutrition Clearing fund with the total of the individual meal accounts. The balance of the School Nutrition Clearing fund exceeded the subsidiary ledger by \$5,331 as of June 30, 2022.

*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 on 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)

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

**CONFLICT OF INTEREST**

*Condition and Context*

For the two-year period ending June 30, 2022, the School Corporation disbursed \$688,104 to D.A. Dodd, Inc. for repair services, materials, and a vehicle. A School Board member is the president of D.A. Dodd, Inc. A conflict of interest statement was not filed on the Indiana Gateway for Government Units (Gateway) financial reporting system.

*Criteria*

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS**

*Condition and Context*

The School Corporation did not retain records to verify eligibility status in relation to Average Daily Membership. Supporting documentation for residency verification identified in School Board Policy 6250 was not provided for 9 out of 56, or 16 percent of the students tested.

In addition, two 13<sup>th</sup> grade students' attendance records were not provided.

*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."

NEW PRAIRIE UNITED 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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**OVERDRAWN CASH BALANCES**

The same comment appeared in the prior Reports B49480, B52615, and B56844.

*Condition and Context*

The financial statement presented for audit included the following funds with an overdrawn cash balance at June 30, 2021 and 2022, which was not attributed to timing of reimbursements or subsequent corrections:

Fund	Amount Overdrawn As of June 30,	
	2021	2022
Payroll Deductions	\$ 86,883	\$ 160,036
Secure School Safety Grant 19-20	-	102,625

*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)

**CAPITAL ASSETS**

The same comment appeared in the prior Report B56844.

*Condition and Context*

The School Corporation hired a vendor to complete a detailed listing of all capital assets; however, some of the capital assets in the detailed listing did not report an acquisition value. In addition, there were assets listed in the detail that do not meet the threshold for a capital asset based on the School Corporation's Capital Asset Policy.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**COLLECTION OF DELINQUENT FEES**

*Condition and Context*

The School Corporation did not fulfill its responsibility to collect amounts owed to the School Corporation for curricular material rental charges in the 2021-2022 school year. No further action was taken to collect the unpaid fees. The School Corporation was not in compliance with School Board Policy 6152 - Student Fees and Charges which states in part:

"In the event the above course of action does not result in the fee being collected, the Board authorizes the Superintendent to take the student and/or his/her parents to Small Claims Court for collection if the claim does not exceed \$1,500. If the claim exceeds \$1,500, the Board authorizes the Corporation attorney or another attorney to pursue a collection action in the appropriate court against the student and/or his/her parents."

Furthermore, the amounts owed as of June 30, 2022, could not be readily identified by the School Corporation based on the parameters and filters used to run reports from the software system.

*Criteria*

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 20-33-5-11 states:

"(a) A school corporation may not:

- (1) withhold curricular materials and supplies;
- (2) require any special services from a child; or
- (3) deny the child any benefit or privilege;

because the parent fails to pay required fees.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

(b) Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgment award against those parents.

(c) A school corporation may designate a full-time employee of the school corporation to represent the school corporation in a small claims court action under subsection (b) if the claim does not exceed one thousand five hundred dollars (\$1,500). The employee designated under this subsection is not required to be an attorney."

***OUTSIDE ORGANIZATION - APPLIES TO NEW PRAIRIE HIGH SCHOOL***

*Condition and Context*

The New Prairie High School extracurricular account maintains a New Prairie Building Trades, Inc. - Checking fund. For the two-year period ending June 30, 2022, the receipts, disbursements, and ending cash and investment balance totaled \$925,424, \$933,509, and \$35,251, respectively. The business entity report filed with Indiana Secretary of State's office reports the New Prairie Building Trades, Inc. as a Domestic Nonprofit Corporation, a separate outside organization from the School Corporation. The extracurricular account should not be collecting, receipting, remitting, or disbursing the outside organization's funds.

Furthermore, five payments tested totaling \$327,962 were made from the New Prairie Building Trades, Inc - Checking fund without the completion of either the Purchase Order and Accounts Payable Voucher (SA-1) or the Claim for Payment (SA-7) as required.

*Criteria*

Indiana Code 20-41-1-7(a) states in part:

"The treasurer has charge of the custody and disbursement of any funds . . .

(2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ."

Therefore, activities and organizations which are not extracurricular in nature should be responsible for their own accounting and cash handling systems. The extracurricular account should not collect, receipt, remit, or disburse outside organization's monies. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

NEW PRAIRIE UNITED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2023, with Tim Scott, Treasurer; Dr. Paul White, Superintendent of Schools; Phillip King, President of the School Board; Rich Gadacz, School Board member; Ellen Borkowski, Deputy Treasurer; Jaclyn Conley, Grants Director; Sue Aikman, Director of Nutrition Services; and Melissa Krycka, Administrative Assistant.