

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WHITLEY COUNTY CONSOLIDATED SCHOOLS  
WHITLEY COUNTY, INDIANA  
July 1, 2020 to June 30, 2022



**FILED**  
03/28/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Todd Fleetwood	07-01-20 to 06-30-23
Superintendent of Schools	Dr. Patricia O'Connor Dr. Laura McDermott	07-01-20 to 01-31-21 02-01-21 to 06-30-23
President of the School Board	Donald Armstrong David Smith	07-01-20 to 12-31-21 01-01-22 to 06-30-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WHITLEY COUNTY CONSOLIDATED  
SCHOOLS, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Whitley County Consolidated Schools (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

March 16, 2023

WHITLEY COUNTY CONSOLIDATED SCHOOLS  
AUDIT RESULTS AND COMMENTS

**PREPAID SCHOOL MEAL ACCOUNTS**

A similar comment also appeared in prior Report B56739, entitled *RECONCILEMENT OF PREPAID SCHOOL LUNCH ACCOUNT FUND TO THE SUBSIDIARY LEDGER*.

*Condition and Context*

Reconcilements between the Prepaid School Lunch Account fund and the school lunch program subsidiary ledger of student accounts were performed during the audit period. However, the Prepaid School Lunch Account fund was not in agreement with the subsidiary ledger during the audit period. On June 30, 2022, records presented for audit show a Prepaid School Lunch Account fund balance of \$57,630 compared to the subsidiary ledger balance of \$53,689. The subsidiary ledger balance was maintained as of June 6, 2022, and activity after that date had to be compiled to determine the subsidiary ledger balance 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 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 the Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**INVESTMENTS**

*Condition and Context*

The School Corporation used an investments fund to account for investments funded from the Operations and Local Rainy Day funds. Investments within the investments fund were incorrectly recorded at market value instead of cost as follows:

Fund	June 30, 2021		June 30, 2022	
	Cost Basis	Market Value	Cost Basis	Market Value
Operations Fund	\$ 6,782,773	\$ 6,784,816	\$ 6,787,746	\$ 6,707,637
Local Rainy Day Fund	1,635,209	1,635,339	1,437,222	1,426,313

WHITLEY COUNTY CONSOLIDATED SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

PROCEDURE FOR POSTING RECORDS AT THE TIME INVESTMENTS ARE PURCHASED OR SOLD

1. At the time investments are purchased, the fiscal officer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made. Where investment is made from "total monies on deposit," the warrant or check issued will not be posted in the ledger, but a memorandum account should be set up in a separate section of the ledger to which investment transactions will be posted.
2. When investment is made from a specific fund, a new fund entitled "Investments Fund" should be set up on the records. The net price (purchase price less accrued interest) should be entered as a receipt to this fund. The Investment Register, General Form 350, or an alternative form providing the same information should be used for keeping a record of all investments purchased by the political subdivision.
3. Interest received in such investments by fund should be entered as a receipt to the fund from which the investment was purchased. Interest received from investment of "total monies on deposit" should be receipted to the general fund or the fund specified by the governing board.
4. When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund." When the investment from "total monies on deposit" is sold the principal (purchase price) will not be posted as a receipt to the ledger but the interest thereon will be posted as a receipt to the general fund or fund designated by governing board. Proper entry shall be made also in the memorandum account, as well as in the Investment Register.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**INTERNAL CONTROLS**

*Condition and Context*

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not separated incompatible activities related to payroll disbursements. There was no evidence provided of an oversight or review process over payroll disbursements to prevent, detect, and correct errors.

The lack of internal controls was a systemic issue throughout the entire audit period.

WHITLEY COUNTY CONSOLIDATED 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. . . ."

**CONTRACTS**

*Condition and Context*

Payments were made for two roofing projects without a written contract. The School Board advertised for bids, which were opened in a public meeting and the bid was awarded to the lowest bidder; however, a written contract was not entered into by the School Corporation.

*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)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Supplementary and other information are required to be entered annually in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation had not established effective internal controls over the federal award information entered into the Gateway, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Director of Business and Operations prepared and entered the federal award information into Gateway, and the Deputy Treasurer reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

WHITLEY COUNTY CONSOLIDATED SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. Several grants were omitted or had individually immaterial errors that resulted in misstatements of expenditures of \$61,110, in total.
2. Other errors included incorrect program names, pass-through entities and identifying numbers.

The School Corporation did not complete the Investment Fund Statement in the AFR. Investments were held by the School Corporation on June 30, 2021 and 2022; however, the amounts were not reported on the Investment Fund Statement of the AFR.

The information for capital assets, leases and debt, and accounts receivables and payables reported in the AFR had material variances when compared to the School Corporation's records. The variances were due to the School Corporation using depreciated insurance values and not the historical cost for capital assets; including items that were not payable as of June 30, 2022, in the total payable; and incorrectly reporting the annual lease payment for one lease.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA, and to the Schedule of Capital Assets, Schedule of Payables and Receivables, and Schedule of Leases and Debt presented as Other Information.

*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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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."

WHITLEY COUNTY CONSOLIDATED SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2023, with Todd Fleetwood, Treasurer; Dr. Laura McDermott, Superintendent of Schools; David Smith, President of the School Board; Kim Schlotterback, Deputy Treasurer; Stanley Meyer, School Board member; and Jill Western, School Board member.