

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



**FILED**  
03/29/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara Fought	07-01-20 to 06-30-23
Superintendent of Schools	Galen Mast Dr. Randall Zimmerly (interim)	07-01-20 to 12-12-22 12-13-22 to 03-20-23
President of the School Board	Travis Stohlman Joe Hutsell	07-01-20 to 12-31-20 01-01-21 to 06-30-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WEST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the West Noble 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

March 20, 2023

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in a Management Letter addressed to the officials of the West Noble School Corporation for the audit period ending June 30, 2020.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to bank account reconciliations. The School Corporation did not establish internal controls and had not separated incompatible activities related to 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. As of June 30, 2021, and June 30, 2022, there was an unidentified difference between the reconciled bank account balances and the financial statement fund balances of \$26,057 and \$58,821, respectively.

*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. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards 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."

WEST NOBLE 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)

**PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition and Context*

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The School Breakfast Program expenditures were omitted, which understated expenditures by \$3,786 and \$290,473 for the fiscal years 2020-2021 and 2021-2022, respectively.
2. The National School Lunch Program expenditures were overstated by \$1,003,727 and \$357,448 for 2020-2021 and 2021-2022, respectively.
3. The Summer Food Service Program for Children expenditures were omitted, which understated expenditures by \$999,941 and \$30,160 for 2020-2021 and 2021-2022, respectively.
4. The COVID-19 - Pandemic EBT Administrative Costs expenditures were omitted, which understated expenditures by \$3,063 for 2021-2022.
5. Several additional grants had individually immaterial errors, or omissions that resulted in a combined misstatement of \$96,584, in total.
6. Other errors included incorrect program names and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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:

WEST NOBLE 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 - OTHER INFORMATION**

### *Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units Financial reporting system. The other information for capital assets and leases and debt entered into Gateway contained the following errors:

#### *Capital Assets*

At June 30, 2022, the Machinery, equipment, and vehicles category was overstated by a material amount of \$3,445,240.

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

#### *Leases and Debt*

1. The Annual Lease Payment for the West Noble High School Building Corporation was overstated by \$1,500.
2. For the General Obligation Bond of 2016, the Ending Principal Balance was overstated by \$31,300, and Principal and Interest Due in One Year was understated by \$622,300.
3. There were four Common School Fund Loans missing from the debt section.
4. The Ending Principal Balance for all the Common School Fund Loans was understated by \$1,307,812, and the Principal and Interest Due in One year was understated by \$920,012.
5. The Ending Principal Balance for the General Obligation Bond of 2013 was overstated by \$225,713.

WEST NOBLE SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

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

*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](#)."

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Reports B52772 and B56911, 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, 2021	Amount Overdrawn June 30, 2022
Curricular Materials	\$ 582,922	\$ 592,420
FEMA COVID 19	10,538	10,538
Payroll Clearing	3,888	4,270
Totals	<u>\$ 597,348</u>	<u>\$ 607,228</u>

*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)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The School Corporation did not have supporting documentation to confirm 3 of 16 tested 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.

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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."

**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 2021 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, evidence was not provided indicating that training had been provided to all required employees. Therefore, the AFR for 2021 was 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](#)."

WEST NOBLE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2023, with Barbara Fought, Treasurer; Dr. Randall Zimmerly, interim Superintendent of Schools; and Joe Hutsell, President of the School Board.