

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARSAW COMMUNITY SCHOOLS

KOSCIUSKO COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED

04/13/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Danielle Raber	07-01-20 to 06-30-23
Superintendent of Schools	Dr. David A. Hoffert	07-01-20 to 06-30-23
President of the School Board	Heather Reichenbach	07-01-20 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WARSAW COMMUNITY SCHOOLS, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Warsaw Community 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/.

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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

March 14, 2023

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Reports B52803, entitled *PREPEAID LUNCH FUND*; and B56985, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Condition and Context

The School Corporation receipted all food service collections into the Prepaid Lunch fund (8400). On a monthly basis, the School Corporation transferred an amount from fund 8400 to the School Lunch fund (800) to account for program income. However, the School Corporation did not reconcile monthly the balance of the Prepaid Lunch fund (8400) with the total of the individual meal accounts (subsidiary records).

Criteria

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)

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 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 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

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 the 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 it to the Indiana Department of Education.

In addition to not following the Accounting and Uniform Compliance Guidelines Manual, the School Corporation did not follow policy number 6250 which was adopted by the School Board. Policy number 6250, titled, *Required ADM Counts for the Purpose of State Funding and Verification of Residency for Membership*, states, "The supporting documentation of enrollment and attendance information by grade and school building must be signed by the building principal and retained for audit purposes to substantiate the ADM count claimed."

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Lastly, the School Corporation was unable to provide enrollment documents and proof of residency for 22 of the 76 students tested and age requirement documentation for 1 of 76 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)

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)

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 (Gateway) financial reporting system. The School Corporation had not established effective internal controls to ensure the accurate reporting of its other information in the AFR.

The School Corporation had not established effective internal controls to ensure the accurate reporting of capital assets. The capital assets information entered into Gateway contained a material error in the net amount of \$26,665,499.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Capital Assets 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:

WARSAW COMMUNITY SCHOOLS
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](#)."

SCHOLARSHIP FUND - APPLIES TO WARSAW COMMUNITY HIGH SCHOOL

Condition and Context

Warsaw Community High School Extra-Curricular Account (ECA) accounted for Fund 12061 - AG MEM. SCHOLARSHIP and Fund 12802 - AG MEM. SCHOLARSHIP in the ECA records for fiscal years 2020-2021 and 2021-2022. Transactions for scholarships should be accounted for in the School Corporation records. Verified warrants/checks are written to the organization/university and not individuals.

Criteria

Indiana Code 20-40-14-3 states: "A school corporation shall maintain money received by gift, endowment, or under a federal statute in a special fund as required by law, including [IC 20-35-4-7](#)."

Indiana Code 20-41-1-7(a) states in part: "The treasurer has charge of the custody and disbursement of any funds . . . 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 extra-curricular in nature should be responsible for their own accounting and cash handling systems. The extra-curricular account should not collect, receipt, remit, or disburse outside organization's monies. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

We will not take exception to club/organizations donating money to an outside organization based on a majority vote of its members. We would encourage that documentation be retained to provide approval of a majority of the members. Also, the warrant/check should be written to an organization and not an individual. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OFFICIAL RESPONSE

Date: March 14, 2023

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Average Daily Membership (ADM) Audit Result and Comment

The IDOE changed the data collection process for ADM count data beginning in the 2021-2022 school year. This was originally completed in the STN site and then became Data Exchange. With this new website for submitting data, individual buildings no longer have to certify data. Only the Superintendent and the CFO certify the data and it is done on a corporation level, not by building. This certification process is also done as electronic signatures. Individual building certification sheets of this data collection are no longer available or required.

Also, WCS changed enrollment systems between the previous audit time period and the current time period. Access to the previous system was no longer accessible to be able to verify enrollment and proof of residency. However, in an IDOE memo dated July 29, 2022, it states that "State law does not require any document with an address as a prerequisite to enrollment". Furthermore, "if the parent does not have documents or proof of residence a child cannot be denied attendance for that reason alone".

WCS has since found a way to print reports from Data Exchange on a building level and will have these reports approved by each building starting with the 2022-2023 school year.

Re: Prepaid School Meal Accounts Audit Result and Comment

Due to timing issues, our point of sales system (etration) and the 8400 will have variances. These timing issues are when parents make online payments in the POS vs when the payment hits the bank account, refunds that are issued in the POS but there is a delay in processing the refunds in our 8400 account, the monthly transfer of sales revenue being a month behind, etc.

WCS will do a monthly reconciliation of our 8400 account and etrition to track the variances each month, doing a final correction at the end of each school year in June.

Re: Annual Financial Report-other information Audit Result and Comment

Our Capital Assets vendor provided incomplete data for the AFR in Gateway. During the State Board of Accounts audit, we were provided corrected information by our vendor. WCS will be utilizing a different vendor starting with the AFR for the 2022-2023 school year.

The corrected data has been entered into both the 2020-2021 and 2021-2022 AFR's in Gateway so the beginning balance of 2022-2023 will be correct.

OFFICIAL RESPONSE

Re: Scholarship Fund Audit Result and Comment

As of March 2023, the AG Mem Scholarship bank account has been closed and the two ECA funds have been taken to a zero balance. The balances that had been in the ECA accounts have since been transferred to corporate fund 2700 and scholarships will begin to be issued from the Corporate fund, being issued to universities/organizations and not individuals.

April Fitterling
Chief Financial Officer

WARSAW COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2023, with Danielle Raber, Treasurer; April Fitterling, Chief Financial Officer; Dr. David A. Hoffert, Superintendent of Schools; and Heather Reichenbach, President of the School Board.