

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GOSHEN COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2020 to June 30, 2022



**FILED**  
04/27/2023



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kelley D. Kitchen Dr. Robert J. Evans Whitney M. Dixon	07-01-20 to 06-18-21 06-19-21 to 10-10-21 10-11-21 to 06-30-23
Superintendent of Schools	Dr. Steven Hope (interim) Dr. Steven Hope	07-01-20 to 12-31-20 01-01-21 to 06-30-23
President of the School Board	Bradd Weddell Roger Nafziger	07-01-20 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 GOSHEN COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Goshen 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/](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

April 24, 2023

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

*Cash and Investments*

The School Corporation did not establish internal controls over 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.

Depository reconciliations were updated for June 30, 2021, and June 30, 2022, to include a reconciliation of the bank account balances to the fund balances.

*Other Financing Sources and Uses*

The School Corporation did not implement effective internal controls related to other financing sources and uses. There was insufficient oversight and monitoring over proceeds of long-term debt electronically deposited into the School Corporation's bank accounts, as to ensure the timely and proper recording of funds received.

General Obligation Bonds, Series 2021 proceeds, totaling \$5,652,938, and immaterial, related project transactions were not recorded in the general ledger at any time during the audit period.

*Financial Close and Reporting*

The School Corporation did not implement effective internal controls over financial close and reporting. The School Corporation submitted financial information on the Indiana Gateway for Government Units financial reporting system for the Annual Financial Report (AFR). The AFR was used to compile the financial statement for the Indiana State Board of Accounts to audit. The compiled financial statement from the AFR did not materially agree with the records of the School Corporation. As a result, the financial statement was compiled from a trial balance generated from the School Corporation's accounting system.

Due to the lack of effective internal controls, the AFR had the following variances compared to the financial statement compiled from the trial balance:

1. Cash and investments beginning balance at July 1, 2020, was understated by \$3,087,199.
2. Total receipts were understated by \$63,787,806 and \$61,562,998 for fiscal years 2020-2021 and 2021-2022, respectively.
3. Total disbursements were understated by \$68,222,578 and \$63,451,590 for 2020-2021 and 2021-2022, respectively.
4. Total other financing sources (uses) were understated by \$6,246,255 and \$22,273 for 2020-2021 and 2021-2022, respectively.
5. Cash and investments ending balances at June 30, 2021, and June 30, 2022, were understated by \$4,898,682 and \$3,032,363, respectively.

GOSHEN COMMUNITY 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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. The evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing board 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."

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)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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](#)."

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

*Condition and Context*

The School Corporation had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of effective internal controls, the SEFA presented for audit included grants with individually immaterial errors which resulted in misstatements of expenditures of \$402,778, in total. Additional errors included incorrect program names, pass-through entities, and Assistance Listings 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:

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GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT - REQUIRED SUPPLEMENTARY INFORMATION**

*Condition and Context*

Required Supplementary Information (RSI) is required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The RSI entered into Gateway contained the following errors when compared to the financial statement compiled from the trial balance generated from the School Corporation's accounting system:

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

1. Cash and investments beginning balance at July 1, 2020, was understated by \$3,087,199.
2. Total receipts were understated by \$63,787,806 and \$61,562,998 for fiscal years 2020-2021 and 2021-2022, respectively.
3. Total disbursements were understated by \$68,222,578 and \$63,451,590 for 2020-2021 and 2021-2022, respectively.
4. Total other financing sources (uses) were understated by \$6,246,255 and \$22,273 for 2020-2021 and 2021-2022, respectively.
5. Cash and investments ending balances at June 30, 2021, and June 30, 2022, were understated by \$4,898,682 and \$3,032,363, respectively.

*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](#)."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system.

*Capital Assets Information*

The School Corporation was unable to provide documentation to support the capital assets information entered into Gateway. As a result, the Schedule of Capital Assets was not presented in the Financial Statement Audit Report.

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Payables and Receivables Information*

The School Corporation was unable to provide documentation to support the accounts payables and receivables information entered into Gateway. As a result, the Schedule of Payables and Receivables was not 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](#)."

**ANNUAL FINANCIAL REPORT - INVESTMENT FUND STATEMENT**

*Condition and Context*

Financial information is required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system. The School Corporation omitted from the Investment Fund Statement a certificate of deposit that had a balance of \$3,089,194 and \$3,107,164 for fiscal years 2020-2021 and 2021-2022, respectively.

*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**

*Condition and Context*

The financial statement included the following funds with overdrawn cash balances that were not attributed to the timing of reimbursements.

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Amount Overdrawn June 30, 2021	Amount Overdrawn June 30, 2022
Construction	\$ 1,258,487	\$ 1,238,822
School Lunch	2,790,401	2,470,919
Child Care Program	15,369	30,935
GCS Training Fund	937	937
STEM Camp	78	2,559
AWS Foundation Grant	2,413	2,413
Pool (Recreation)	60,620	124,120
Background Checks (In/Out)	12,532	14,679
Para Pro Exams	535	645
Visa Clearing Account	-	4,326
Tech Warranty Repair	3,897	-
Totals	<u>\$ 4,145,269</u>	<u>\$ 3,890,355</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)

**CAPITAL ASSETS**

*Condition and Context*

The School Corporation did not maintain a complete detailed listing of capital assets during the audit period. In addition, a complete physical inventory of capital assets was not completed.

*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)

**PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

The control ledger for the Prepaid School Lunch Accounts fund did not reconcile to the detail of individual meal accounts in the subsidiary ledger. The control ledger balance on June 30, 2021, was \$1,265,919, while the detail on the subsidiary ledger was \$68,521. The control ledger balance on June 30, 2022, was \$1,314,639, while the detail on the subsidiary ledger was \$53,841.

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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 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) - LACK OF RECORDS**

*Condition and Context*

The School Corporation did not follow its adopted policy for residency verification related to eligible pupils. Of the 52 students tested, the School Corporation was able to provide proof of residency and age verification supporting documentation for 15 students. Therefore, we were unable to determine if the other students were properly enrolled.

*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)

GOSHEN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MONTHLY AND ANNUAL ENGAGEMENT UPLOADS**

*Condition and Context*

The School Corporation did not upload the required annual files on the Indiana Gateway for Government Units financial reporting system for fiscal years 2020-2021 and 2021-2022. In addition, for five of the six months inspected, the monthly files were not uploaded by the required due date.

*Criteria*

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15<sup>th</sup> of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year . . .
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Additionally, for Schools only: School Lunch Prepaid Account Balance Report as of June 30 Approved Salary Schedule for Noncertified Employees and Amendments . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

GOSHEN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2023, with Dr. Robert J. Evans, Chief Financial Officer; Whitney M. Dixon, Treasurer; Roger Nafziger, President of the School Board; Bradd Weddell, Vice President of the School Board; Jose Elizalde, School Board Secretary; and Dr. Steven Hope, Superintendent of Schools.