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

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST GIBSON SCHOOL CORPORATION

GIBSON COUNTY, INDIANA

July 1, 2022 to June 30, 2024

FILED
03/11/2025

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Ginger E. Schenks	07-01-22 to 06-30-25
Superintendent of Schools	Henry Brewster (interim)	07-01-22 to 08-07-22
	James Wilson (deceased)	08-08-22 to 08-24-23
	(Vacant)	08-25-23 to 09-11-23
	Richard Rutherford (interim)	09-12-23 to 05-13-24
	Dr. Michael Galvin	05-14-24 to 06-30-25
President of the School Board	Stephen Sevier	07-01-22 to 12-31-25

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TO: THE OFFICIALS OF THE EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

This report is supplemental to the audit report of the East Gibson School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. 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 the 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.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

February 26, 2025

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's financial statement and the Schedule of Expenditures of Federal Awards. It is also used to generate the Schedule of Leases and Debt and the Schedule of Capital Assets. The School Corporation had not established effective internal controls over the financial, federal grant, and other information entered into the AFR.

Financial Close and Reporting

The Treasurer prepared and submitted the AFR; however, there was no documented oversight, review, or approval process in place to prevent, or detect and correct, errors in the financial information prior to the submission of the AFR.

Grant Schedule

The Treasurer prepared and submitted the federal grant information into the AFR; however, there was no documented oversight, review, or approval process in place to prevent, or detect and correct, errors in the federal grant information prior to the submission of the AFR.

Debt

The debt schedule reported $2,311,000 in bonded debt in fiscal year 2022-2023 and $1,840,000 in bonded debt in 2023-2024. This was a lease with the building corporation and not bonded debt. The lease was correctly reported on the lease schedule.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the School Corporation and to the information in the AFR.

Capital Assets

The School Corporation reported $17,576,054 and $18,153,346 as capital assets at June 30, 2023 and 2024, respectively. However, the School Corporation did not maintain detailed capital asset records to support the amount reported. The financial reporting framework utilized by the unit includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the School Corporation. The School Corporation has elected not to present this schedule.

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. . . ."

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 as set forth in the uniform compliance guidelines. 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."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal controls were not in place to ensure that the School Corporation complied with laws, regulations, and uniform compliance guidelines. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Average Daily Membership(ADM) - Lack of Records
- Capital Assets
- Errors on Claims
- Monthly and Annual uploads

Criteria

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AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not follow its policies on resident pupils and student attendance as they relate to eligible pupils. Of the 38 students tested, the following errors were noted:

- Proof of residency documentation was not provided for 3 students.
- Attendance records were not provided for 1 student who participated in Gibson County Special Education services.

In addition, the School Corporation did not readopt its Residency Policy annually as required by the Indiana Department of Education per a memo dated September 28, 2021.

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)

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)

CAPITAL ASSETS

The same comment appeared in prior Report B60774.

Condition and Context

The School Corporation did not maintain a detailed listing of capital assets owned which reflects their acquisition value. In addition, a physical inventory was not performed as required every two years. The School Corporation reported $18,153,346 in the capital asset schedule for fiscal year 2023-2024 in its Annual Financial Report submitted via the Indiana Gateway for Government Units financial reporting system, which could not be verified due to the lack of a detailed listing.

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)

ERRORS ON CLAIMS

Condition and Context

The School Board did not approve any of the 35 salary and wage payments that were tested for the audit period. It was determined that the payroll information was not being added to the accounts payable docket for School Board approval.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The School Corporation did not upload the following files and government unit information that were required:

- Monthly bank statements from July 2022 to June 2024
- An annual salary ordinance for noncertified employees for fiscal year 2022-2023 and fiscal year 2023-2024
- School Lunch Prepaid Account Balance Report as of June 30, 2023

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, effective with uploads due February 15, 2021; Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

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)

EAST GIBSON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2025, with Ginger E. Schenks, Treasurer; Stephen Sevier, President of the School Board; Lynn Rowe, School Board member; Christina Saulmon, Deputy Treasurer; and Dr. Michael Galvin, Superintendent of Schools.