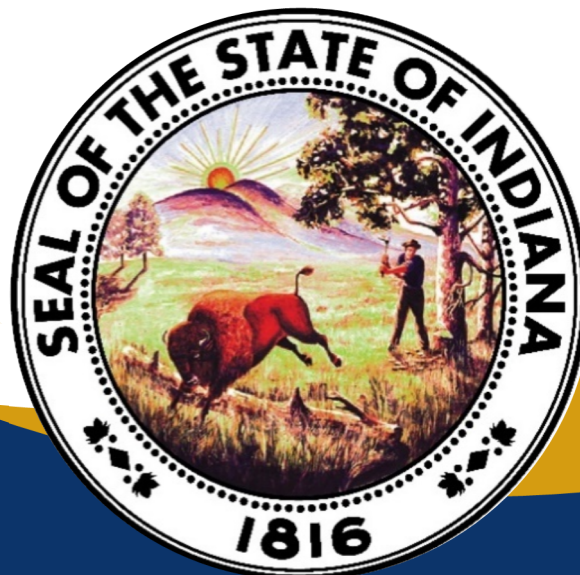


**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
MT. VERNON COMMUNITY SCHOOL CORPORATION  
HANCOCK COUNTY, INDIANA  
July 1, 2022 to June 30, 2024



**FILED**

03/31/2025



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Greg Elkins	07-01-22 to 06-30-25
Treasurer	Lisa Heitman	07-01-22 to 06-30-25
Superintendent of Schools	Jack Parker	07-01-22 to 06-30-25
President of the School Board	Kellie Freeman Chad Gray Shannon Walls	07-01-22 to 12-31-22 01-01-23 to 12-31-24 01-01-25 to 06-30-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE MT. VERNON COMMUNITY SCHOOL  
CORPORATION, HANCOCK COUNTY, INDIANA

This report is supplemental to the audit report of the Mt. Vernon Community 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/](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 13, 2025

MT. VERNON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

*Compliance*

Effective internal controls were not in place to ensure compliance with applicable laws and regulations related to:

- Annual Financial Report
- Compensation and Benefits
- Overdrawn Cash Balance
- School Food Systems - Prepaid Food

The noncompliance issues are explained in more detail in the comments below.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B60801, entitled *ANNUAL FINANCIAL REPORT*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Treasurer entered the information into Gateway, and a second individual reviewed the information for accuracy and completeness. The internal control was not effective and did not prevent, or detect and correct, errors prior to submission, which resulted in the following errors:

MT. VERNON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Financial Information*

The Payroll Withholdings fund is a combination of multiple payroll clearing funds on the School Corporation's ledger. Payroll clearing activity was originally omitted from the AFR and the financial statement presented for audit resulting in the following:

- Beginning cash and investment balance for fiscal year 2022-2023 was understated by \$144,904.
- Receipts for 2022-2023 were understated by \$18,891,378.
- Disbursements for 2022-2023 were understated by \$18,747,193.
- Ending cash and investment balance for 2022-2023 was understated by \$289,089.
- Receipts for 2023-2024 were understated by \$20,162,375.
- Disbursements for 2023-2024 were understated by \$20,250,378.
- Ending cash and investment balance for 2023-2024 was understated by \$201,086.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

*Leases and Debt*

The leases and debt information entered into Gateway did not properly report the outstanding debt and annual lease payments. The School Corporation had omitted seven long-term leases from the AFR reporting in 2023 and 2024.

The School Corporation elected not to report the schedule as Other Information in the Financial Statement Audit Report of the School Corporation.

*Capital Assets*

The School Corporation did not have supporting documentation for capital asset amounts reported in the 2023 AFR.

*Grant Schedule*

The grant information reported in Gateway contained errors, which resulted in total misstatements in expenditures of \$2,049,732.

The submitted information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) included in the Federal Compliance Audit Report of the School Corporation. Therefore, these errors were also presented in the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the grant schedule within the AFR.

MT. VERNON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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 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](#)."

**COMPENSATION AND BENEFITS**

*Condition and Context*

The School Corporation did not establish an effective system of internal controls over employees' annual pay rates according to the salary schedule. For fiscal years 2022-2023 and 2023-2024, an approved salary ordinance, resolution, or schedule, detailing salaries and hourly wages which included all noncertified employees was not presented for audit. While a salary ordinance was approved for 2021-2022 which included all noncertified employees, only percentage increases were approved by the School Board for some noncertified employees during the subsequent years. The salaries were calculated by the Payroll Clerk based on percentage increases and were entered into the payroll system. However, the amounts entered into the system were not reviewed for accuracy by any other individual.

During 2022-2023, errors within the payroll system resulted in salary overpayments to one employee. The overpayments were the result of miscalculated overtime payments which occurred throughout 2022-2023. For three payrolls tested during that year, the employee was overpaid \$392. We recommended the School Corporation review all 2022-2023 overtime payments for the employee, calculate the overpaid amounts, and pursue collection of the salary overpayments.

*Criteria*

Indiana Code 5-11-9-4(b) states in part: "The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**OVERDRAWN CASH BALANCES**

This same comment appeared in prior Reports B51295, B52884, B56995, and B60801.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances as of June 30, 2023 and 2024, which were not attributed to the timing of reimbursements.

MT. VERNON COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Fund	Amount Overdrawn
Fiscal Year 2023 Facility Rental Fund	\$ (50,490)
Fiscal Year 2024 Facility Rental Fund	(73,785)
Fiscal Year 2024 Referendum	(4,879)
Fiscal Year 2023 School Technology Fund	(113,936)
Fiscal Year 2024 School Technology Fund	(109,041)
Fiscal Year 2024 Post Retirement Severance	(925)

*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)

**SCHOOL FOOD SYSTEMS - PREPAID FOOD**

A similar comment appeared in prior Reports B51295, B52884, B56995, and B60801, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

*Condition and Context*

The subsidiary record of individual student prepaid meal account balances did not agree to the June 30, 2023, or June 30, 2024, fund balances of the Student Prepaid Meals fund (Prepaid School Lunch Account).

*Criteria*

The SBOA opinion is that money a student puts into their individual meal account (prepaid food account) 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 it is in the student's individual account balance, it should not be included in the School Lunch fund. It is required that the School Corporation set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, the School Corporation should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

MT. VERNON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2025, with Jack Parker, Superintendent of Schools; Greg Elkins, Chief Financial Officer; Lisa Heitman, Treasurer; and Stacy Nielsen, Assistant Secretary of the School Board.