

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COMMUNITY SCHOOLS

CLAY COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/11/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs	John Szabo	07-01-22 to 06-30-25
Superintendent of Schools	Jeffery Fritz Dr. Timothy Rayle	07-01-22 to 06-30-23 07-01-23 to 06-30-25
President of the School Board	Thomas Reberger	07-01-22 to 06-30-25



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TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

This report is supplemental to the audit report of the Clay Community Schools (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, CPA, CFE
Deputy State Examiner

February 25, 2025

CLAY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

This same comment appeared in a Management Letter addressed to the School Corporation's officials for the audit period ending June 30, 2022.

Condition and Context

Internal controls were not in place over reporting and retention of records related to the ADM. The School Corporation did not follow its own enrollment policy and ensure that proof of residency and other required enrollment documents were retained for audit for all students reported in its ADM counts submitted to the Indiana Department of Education throughout the audit period. We conducted tests of both the School Corporation's in-person (Brick and Mortar) students and its Virtual program (Virtual) students.

Brick and Mortar

The School Corporation was unable to provide proper proof of Indiana residency documentation for 10 of 28 (35%) students tested. Out of the 10 students without proper proof of Indiana residency, 5 students had no proof of residency of any kind and 5 students had proof of residency outside the approved document list.

Additionally, the School Corporation did not provide attendance records for the audit for 2 of 28 (7%) of the students tested.

Virtual

There was a total of 28 virtual status students tested. The School Corporation did not provide proof of Indiana residency documentation for any (100%) of the students tested. Additionally, 5 (17%) of the virtual students tested had enrollment, attendance and/or transcript documentation that was inconsistent with the count date in which they were included in the official ADM count. Lastly, 2 (7%) of the virtual students had unexcused absences in excess of the ten days allowed in the policy

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.

CLAY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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. . . ."

PREPAID SCHOOL MEAL ACCOUNTS

This same comment appeared in a Management Letter addressed to the School Corporation's officials for the audit period ending June 30, 2022.

Condition and Context

Internal controls were not in place over prepaid school meal account requirements. The School Corporation did not transfer program income from the Prepaid School Lunch fund to the School Lunch fund on a monthly basis during the audit period as required.

Additionally, the School Corporation had not reconciled the balance in its Prepaid School Lunch fund to the unspent balances in its student accounts as of June 30, 2024. The ending balance of the Prepaid School Lunch fund was \$117,586 and the total student account balances was \$38,360, a variance of \$79,226.

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, the balance should not be included in the School Lunch fund. It is required that the you 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 you 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)

CLAY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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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CLAY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2025, with John Szabo, Director of Business Affairs; Dr. Brady Scott, Assistant Superintendent of Schools; Thomas Reberger, President of the School Board; Amy Burke Adams, School Board member; and Cheryl Schopmeyer, School Board member.