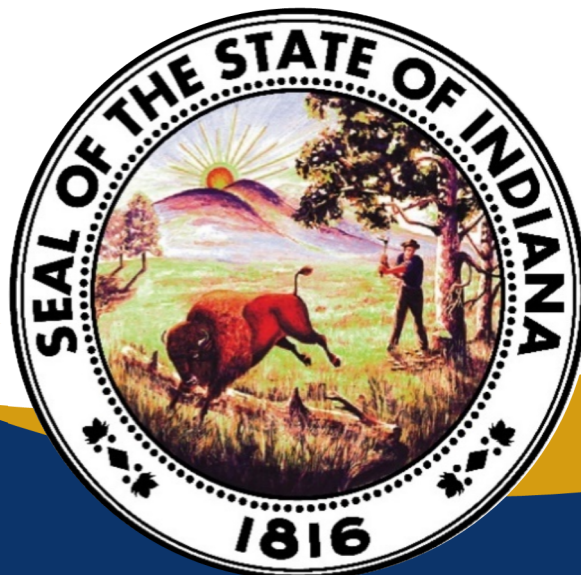


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
HARRISON COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED
03/27/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls over Compliance	4
Annual Financial Report	4-5
Capital Assets.....	5
Collection of Amounts Due	5-6
Condition of Records	6-7
Overdrawn Cash Balances.....	7-8
Error Corrections Reported as Transfers	9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carolyn E. Wallace	07-01-22 to 06-30-25
Superintendent of Schools	Dr. Mark A. Eastridge	07-01-22 to 06-30-25
President of the School Board	Mary J. Mathes	07-01-22 to 12-31-25



Paul D. Joyce, CPA
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TO: THE OFFICIALS OF THE SOUTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

This report is supplemental to the audit report of the South Harrison 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/.

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 18, 2025

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Deficiencies in the School Corporation's system of internal controls resulted in noncompliance over the Annual Financial Report, capital assets, collection of amounts due, condition of records, overdrawn cash balances, and error corrections reported as transfers as detailed further 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 also appeared in prior Report B60882, entitled *CAPITAL ASSET SCHEDULE - ANNUAL FINANCIAL REPORT*.

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements to properly report information in its Annual Financial Report (AFR) in the Indiana Gateway for Government Units financial reporting system. Due to the issues noted in the comment below entitled *CAPITAL ASSETS*, the amount reported by the School Corporation as capital assets in the 2023 and 2024 AFRs could not be verified. The School Corporation reported total capital assets of \$94,085,737 and \$94,661,909 at June 30, 2023 and 2024, respectively.

The financial reporting framework utilized by the School Corporation 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.

SOUTH HARRISON 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](#)."

CAPITAL ASSETS

The same comment also appeared in prior Reports B56454 and B60882.

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements related to capital assets. The School Corporation did not have a complete, detailed listing of all capital assets owned which reflected their acquisition value. Additionally, the School Corporation was unable to provide evidence that a complete physical inventory had been conducted every two years as required.

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)

COLLECTION OF AMOUNTS DUE

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements related to the collection of amounts due. The School Corporation served as the LEA for the Harrison County Exceptional Learners Cooperative (Cooperative) which provided special education services to the Cooperative's member schools. The Cooperative did not maintain a separate accounting system, and, accordingly, the School Corporation was responsible for handling all financial activity related to special education. The School Corporation created the HCELC Joint Services fund to account for special education activity not reimbursed by federal grants but instead was to be covered by local funds from the member schools. The School Corporation did not contribute any of its required portion and did not collect the full amounts due from the other members schools during the audit period. As a result, the HCELC Joint Services fund had a negative cash balance of \$1,104,838 and \$1,501,670 as of June 30, 2023 and 2024, respectively.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CONDITION OF RECORDS

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements related to condition of records. The School Corporation made numerous correcting entries to various Special Education funds on the financial statement, which included correcting errors that occurred in the prior audit period. As a result, errors were not corrected in a timely manner. While the School Corporation was ultimately able to provide detailed information to support the correcting entries, it was not readily available upon initial request.

Criteria

Indiana Code 5-11-1-2 states in part:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter for use by an audited entity, which must comply with the following: . . .

- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (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)

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public Schol Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements related to overdrawn cash balances.

The financial statement presented for audit included the following reimbursable grant funds with overdrawn cash balances as of June 30, 2023 and 2024, for which reimbursements were not timely requested.

Fund	Amount Overdrawn	
	06-30-23	06-30-24
Special Education Excess Costs	\$ 129,338	\$ 127,012
Secured Schools Safety Grant	50,001	3,657
FY22 Part B 611 Spec Education	1,717,758	1,032,194
FY21 Part B 611 Spec Education	168,799	109,952
FY20 Part B 611 Spec Education	66,345	111,983
FY24 Part B 619 Preschool	-	23,963
FY22 Title IV Student Support	7,488	3,659
FY23 Title II	-	9,828
FY22 Title II	4,696	18,672
ARP-Special Education	296,824	65,872
ESSER III Educ Stabilization	92,802	269,433

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

The financial statement also included the following nongrant funds with overdrawn cash balances as of June 30, 2023 and 2024, which was the result of disbursements exceeding receipts into the funds.

Fund	Amount Overdrawn	
	06-30-23	06-30-24
Curricular Materials	\$ 385,388	\$ -
HCCF Dual Credit	7,164	20,019
Formative Assessment	-	2,549
Dental/125 Single A	-	748
Dental/125 Mem+1 A	-	688
Dental/125 Family A	238	2,852
Dental/125 Single	231	231
Dental/125 Mem+1	380	380
Dental/125 Family	616	616
Dental Single B	-	23
Dental Mem+1 A	-	71
Dental Family A	-	73
Dental Single	23	94
Dental Family B	48	48
Vision/125 Family	4	4
Vision/125 Single	7	7
Group Life	2,889	-
Health/125 Hdp 4K Family	586	586
Health/125 Hdp 10K Family A	611	611
Health/125 Hdp 5K Single	79	79
Health Hdp 10K Family	123	123
Medical Reim/125 Amer Fid	-	37
Long Term/Crit Care Am Fid	-	72
Short Term Disa Am Fid	-	450
Accident/125 Am Fid	-	613
Cancer Pre-Tax Amer Fid	-	196
Hospital/125 Am Fid	-	573

Additionally, the HCELC Joint Services fund had a negative cash balance of \$1,104,838 and \$1,501,670 at June 30, 2023 and 2024, respectively, due to the issues noted above in the comment entitled *COLLECTION OF AMOUNTS DUE*.

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)

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ERROR CORRECTIONS REPORTED AS TRANSFERS

Condition and Context

The School Corporation did not have effective internal controls in place to ensure compliance with requirements related to error corrections. A total of 126 claim vouchers totaling \$603,184 were prepared during fiscal year 2023-2024 that were reported as transfers in and transfers out in Other Financing Sources and Uses. However, these transactions were error corrections to move expenses to other funds and, therefore, were not true transfers.

A basic premise of fund accounting is that the fund is used to account for a specific revenue or purpose. Moving money between funds clouds the transparency of fund accounting. Money moved from one fund to another as a permanent transfer of cash is a transfer.

Criteria

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2025, with Carolyn E. Wallace, Treasurer; Dr. Mark A. Eastridge, Superintendent of Schools; and Mary J. Mathes, President of the School Board.