

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHERIDAN COMMUNITY SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED
02/03/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robin Popejoy	07-01-22 to 06-30-25
Superintendent of Schools	Dr. David Mundy	07-01-22 to 06-30-25
President of the School Board	Todd Roberts John Hunt Dan Fleming Tyler Henning	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE SHERIDAN COMMUNITY SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to the audit report of the Sheridan 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

January 14, 2025

SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B60879.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to disbursements.

Disbursements

The School Corporation had not designed or implemented effective internal controls over payroll disbursements. Payroll was prepared by the Business Director's office and presented in the aggregate to the School Board for review and approval. Internal controls were not in place to ensure that individual employee payroll checks were accurate and paid in accordance with hours worked and established salary amounts.

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 B60879, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. Although the AFR information is completed by the Director of Business and approved by the Superintendent of Schools, internal controls were not effective to detect or allow for correction of errors to information submitted in the AFR.

As a result, the AFR contained the following errors:

SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Grants

- The Child Nutrition Cluster did not include commodities for years ended June 30, 2023 and 2024. As a result, expenditures were understated by \$42,751 and \$52,166, respectively.
- The Child Nutrition Cluster National School Lunch Division expenditures were understated by \$34,055 for the year ended June 30, 2023.
- The Title I Grants to Local Education Agencies expenditures were understated by \$23,434 for the year ended June 30, 2023.
- The Special Ed Grants to State expenditures were understated by \$53,050 for the year ended June 30, 2024.
- The Disaster Grants - Public Assistance (Presidentially Declared Disasters) expenditure was omitted from the grant schedule. As a result, expenditures were understated by \$72,697 for the year ended June 30, 2024.

Audit adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the School Corporation.

Leases and Debt

The ending principal balance as of June 30, 2023, for one debt instrument reported in the AFR was understated when compared to underlying accounting records by \$2,034,841.

Audit 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.

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](#)."

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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SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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CAPITAL ASSETS

A similar comment also appeared in prior Report B60879.

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure compliance with applicable laws and regulations related to capital assets. Evidence that a complete physical inventory of capital assets had been conducted at least every two years was not presented for audit. Additionally, one capital asset was sold during the audit period but not removed from the School Corporation's capital asset 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)

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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SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Condition and Context

The School Corporation did not have adequate internal controls in place to ensure compliance with applicable laws and regulations related to salaries and wages. For fiscal year 2023-2024, an approved salary ordinance, resolution, or schedule, detailing salaries and hourly wages for noncertified employees was not presented for audit. In a test of payroll disbursements, eight noncertified employees' salary or hourly wage amounts were not approved by the School Board.

Criteria

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)

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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SHERIDAN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2025, with Dr. David Mundy, Superintendent of Schools; Robin Popejoy, Treasurer; Tyler Henning, President of the School Board; and Kim Zachery, School Board member.