

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ANDERSON COMMUNITY SCHOOL CORPORATION

MADISON 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
School Food Systems - Prepaid Food.....	4-5
Average Daily Membership (ADM) - Lack of Records.....	5-6
Failure to Report Overpayment of Funds	6
Compensation - Contracted Employees.....	7
Official Response	8-10
Exit Conference.....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kevin Brown (Vacant) Tyler Elmore	07-01-22 to 12-23-22 12-24-22 to 01-08-23 01-09-23 to 06-30-25
Superintendent of Schools	Dr. Joe Cronk	07-01-22 to 06-30-25
President of the School Board	Dr. Patrick Hill	07-01-22 to 06-30-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE ANDERSON COMMUNITY SCHOOL
CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of the Anderson 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 17, 2025

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

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

- School Food Systems - Prepaid Food
- Average Daily Membership (ADM) - Lack of Records
- Failure to Report Overpayment of Funds
- Compensation - Contracted Employees

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. . . ."

SCHOOL FOOD SYSTEMS - PREPAID FOOD

Condition and Context

The subsidiary detail of the prepaid meals by student balance did not reconcile to the 8400 Prepaid School Lunch Accounts fund balance. The subsidiary detail balance was \$22,204 and \$33,720 greater than the fund balance at June 30, 2023, and June 30, 2024, respectively.

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

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

Condition and Context

A total of 28 brick-and-mortar students were tested for the 4 count dates during the audit period. For 3 of the 28 brick-and-mortar students tested, the School Corporation did not provide documentation of proof of enrollment. For 2 of the 28 brick-and-mortar students tested, the School Corporation did not provide documentation of birth certificates. For 11 of the 28 brick-and-mortar students tested, the School Corporation did not provide documentation for proof of residency. For 1 of the 28 brick-and-mortar students tested, the School Corporation did not provide documentation of attendance records.

A total of 62 virtual students were tested on the 4 count dates during the audit period. For 8 of the 62 virtual students tested, the School Corporation did not provide documentation for proof of enrollment. For 6 of the 62 virtual students tested, the School Corporation did not provide documentation of birth certificates. For 41 of the 62 virtual students tested, the School Corporation did not provide documentation for proof of residency. For 5 of the 62 virtual students tested, the School Corporation did not provide documentation of attendance records or evidence of engagement.

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."

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

FAILURE TO REPORT OVERPAYMENT OF FUNDS

Condition and Context

On June 1, 2022, the School Corporation became aware that overpayments had been made to a contracted employee. The School Corporation conducted an internal investigation and determined it had overpaid a contracted employee over a period from March 24, 2017 to October 1, 2021. The School Corporation determined the contracted employee had filed 45 claims that either did not have supporting documentation or the documentation provided ranged from \$400 to \$10,000 less than the amounts claimed. The School Corporation calculated a total overpayment to the contracted employee in the amount of \$179,210. The contracted employee repaid the School Corporation \$90,000 on June 30, 2022, and \$90,000 on July 12, 2022. The School Corporation failed to report the overpayments to the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(l) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION - CONTRACTED EMPLOYEES

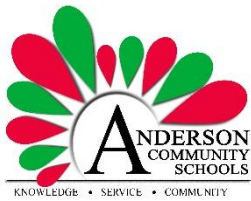
Condition and Context

Compensation payments for 20 contracted transportation services were tested for supporting documentation and proper payment of contractual rates. There were 13 instances noted where payments were made to vendors for bus services that were not properly supported by an approved contract, resolution, or ordinance. There were 3 payments that were not paid in accordance with the approved contract, or contract adjusted rate, which resulted in under payment of the contract. There was 1 payment that was not paid in accordance with the approved contract, or contract adjusted rate which resulted in overpayment of the contract.

Criteria

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. 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)

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 School Corporations, Chapter 1)



ANDERSON COMMUNITY SCHOOL CORPORATION

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OFFICIAL RESPONSE

March 25, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re:

Response to State Board of Accounts Comment on Average Daily Membership (ADM) – Lack of Records

The records referenced under IC 5-15-6-3 pertain strictly to financial records and transactions, whereas the auditors' request focused on student enrollment documentation, proof of residency, and attendance records. Anderson Community Schools (ACS) provided all requested records in a timely manner. However, additional clarification was requested too close to the audit's closing, leaving ACS only two days to assemble further documentation. To be unequivocally clear, no records governed by IC 5-15-6-3 were destroyed. Student records are separate from the statutory requirements cited in the audit findings.

ACS is fully committed to strengthening documentation processes to ensure compliance with all applicable requirements. Effective immediately, ACS will reinstate the practice of producing paper student lists for building principals to certify as part of the ADM reporting process. This certification will explicitly identify the records used to substantiate ADM counts, reinforcing transparency and accountability.

Additionally, ACS is implementing the following internal controls to enhance record retention and accessibility:

- Establishing a standardized process for verifying and maintaining proof of enrollment, residency, and attendance documentation for both brick-and-mortar and virtual students.
- Requiring principals or designated building officials to provide written certification of ADM records, clearly identifying the location of supporting documentation.
- Conducting periodic internal audits to ensure ADM documentation is complete, accurate, and readily accessible for future reviews.

These measures directly address the concerns raised and will ensure the accuracy, availability, and integrity of ADM records for all future audits.

Response to State Board of Accounts Comment on Failure to Report Overpayment of Funds

This situation does **not constitute a misappropriation of funds under IC 5-11-1-27**. The overpayment identified was **not the result of fraud, deception, or intentional misconduct** but rather a **vendor billing error**.

Overpayments to vendors and contractors occasionally occur in the normal course of operations due to invoicing discrepancies or clerical errors. These routine matters do not disrupt services, and disputes are resolved in good faith, with funds recovered as a standard practice. In this case, upon identifying the overpayment, Anderson Community Schools (ACS) took immediate corrective action—conducting an internal review, verifying the discrepancy, and working directly with the contractor to recover the full amount. All funds were repaid in full by June and July 2022.

While ACS acknowledges that a formal report to the State Board of Accounts was not filed at the time, the issue was promptly identified, fully addressed, and resolved without any financial loss to the School Corporation. Moving forward, ACS is implementing additional oversight measures to reinforce financial accountability, including:

- **Enhanced Monitoring of Vendor and Contractor Payments**

ACS will conduct regular internal reviews to detect and correct payment discrepancies before they accumulate.

- **Formal Reporting Procedures for Significant Overpayments**

While vendor overpayments and reimbursements are a common part of financial operations, ACS will establish clear thresholds and protocols for escalating and reporting such matters in compliance with state guidelines.

- **Expanded Training for Financial Oversight Personnel**

ACS will ensure that finance staff and administrators receive comprehensive training on documentation and reporting requirements to prevent delayed communication in the future.

ACS remains fully committed to financial transparency, regulatory compliance, and the continuous strengthening of internal controls to prevent and swiftly address overpayment issues.

Response to State Board of Accounts Comment on Compensation — Contracted Employees

The payments in question pertain to **transportation vendors, not contracted employees**. Vendors providing transportation services are independent service providers, **not employees of Anderson Community Schools (ACS)**. Like all other vendors, they are paid through invoices for services rendered.

To ensure compliance with documentation requirements and address the concerns raised, ACS is implementing the following corrective actions:

School Board Approval of Payment Schedule

The ACS Board of School Trustees will formally approve a schedule of maximum payments for transportation services beyond regular school bus routes (e.g., shuttles, after-school routes, summer school routes). This structured framework will enhance transparency and establish clear payment parameters for vendors providing these specialized transportation services.

Enhanced Internal Review of Payment Processing

ACS will conduct rigorous internal reviews to verify that all transportation vendor payments align with approved rates and are fully documented. Any discrepancies will be identified and resolved before disbursement to ensure strict adherence to financial best practices.

These measures will strengthen oversight, reinforce transparency, and ensure that transportation vendor payments comply with established financial controls while maintaining the necessary flexibility to support student transportation needs.

Sincerely,

Tyler Elmore
Chief Financial Officer
Anderson Community Schools

ANDERSON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2025, with Dr. Joe Cronk, Superintendent of Schools; Tyler Elmore, Treasurer; JoAnna Collette, School Board member; Pam Storm, Grants Director; Wendy Alumbaugh, Deputy Treasurer; and Bethany Cmar, Special Education Director.