

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CENTRAL NINE CAREER CENTER

JOHNSON COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
05/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cindy Payton	07-01-19 to 06-30-24
Director	Dr. William E. Kovach	07-01-19 to 06-30-24
President of the School Board	Greg Waltz Joe Hubbard Dawn Downer (interim) Greg Waltz	07-01-19 to 02-11-21 02-12-21 to 10-20-22 10-21-22 to 02-08-23 02-09-23 to 12-31-24



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CENTRAL NINE CAREER CENTER, JOHNSON COUNTY, INDIANA

This report is supplemental to the audit report of the Central Nine Career Center (School Corporation), for the period from July 1, 2019 to June 30, 2021. 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 Statements Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statements. 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

May 6, 2024

CENTRAL NINE CAREER CENTER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement contained funds with overdrawn cash balances as of June 30, 2020 and 2021. Cash balances of some of the School Corporation's funds were overdrawn due to grants operating on a reimbursement basis. Grants operating on a reimbursement basis require the School Corporation to expend funds prior to requesting reimbursement of costs. The following funds had overdrawn cash balances on June 30, 2020 and 2021, including grant funds for which no subsequent reimbursements were received or subsequent reimbursements were not sufficient to cover the deficit balances as of February 29, 2024.

Fund	Amount Overdrawn As of June 30,	
	2020	2021
Abe State Grant 2020-2021	\$ -	\$ 107,928
Abe State Support-16-17	124,683	124,683
Abe State Support 2018-2019	40,225	54,695
Abe State Grant 2019-2020	243,380	6,148
Workindiana Ae Grant 2017-2018	4,563	4,563
Abe Grant-16-17	60,281	60,281
Abe Grant(Federal)2018-2019	26,034	36,678
Abe Federal Grant 2019-2020	25,500	22,651
Civics Grant 16-17	13,383	13,383
Civics Grant 2018-2019	5,903	6,531
Civics Grant 2019-2020	25,457	65,412

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation did not provide the required training on internal control standards to all the appropriate personnel during the audit period. The Business Manager/Treasurer and Payroll and Purchasing Specialist received training; however, the ECA Treasurer and adult education staff did not receive the training.

Criteria

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

CENTRAL NINE CAREER CENTER
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation incorrectly certified in the Annual Financial Report that the required personnel had received training regarding internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity a financial report covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation had not established effective internal controls over the capital asset information entered on Gateway. The total buildings reported were overstated by \$6,387,149 on June 30, 2021.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established internal controls, which would include appropriate segregation of duties over financial close and reporting and the Schedule of Expenditures of Federal Awards (SEFA).

CENTRAL NINE CAREER CENTER
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Close and Reporting and the SEFA

The Business Manager prepared and uploaded the Annual Financial Reporting (AFR) into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's AFR and SEFA. The AFR was submitted without an oversight or review process to ensure the accuracy and completeness of the information submitted.

Other Financing Sources and Uses

The Business Manager recorded transfers in and out in the ledger; however, there is no evidence of approval by the governing Board.

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. . . ."

CENTRAL NINE CAREER CENTER
EXIT CONFERENCE

The contents of this report were discussed on May 6, 2024, with Dr. William E. Kovach, Director; Cindy Payton, Treasurer; and Greg Waltz, President of the School Board.