

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

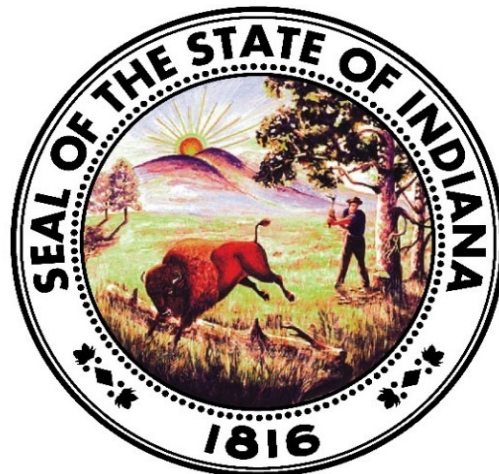
SUPPLEMENTAL COMPLIANCE REPORT

OF

LEWIS CASS SCHOOLS

CASS COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kristi Hull	07-01-21 to 04-01-22
	(Vacant)	04-02-22 to 05-02-22
	Scott Bumgardner	05-03-22 to 07-07-23
	(Vacant)	07-08-23 to 07-16-23
	Valerie Moore	07-17-23 to 03-15-24
Superintendent of Schools	Dr. Tim Garland	07-01-21 to 06-30-24
President of the School Board	Ryan Zeck	07-01-21 to 01-11-23
	Rick Lee	01-12-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LEWIS CASS SCHOOLS, CASS COUNTY, INDIANA

This report is supplemental to the audit report of the Lewis Cass Schools (School Corporation), for the period from July 1, 2021 to June 30, 2023. 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 12, 2024

LEWIS CASS SCHOOLS
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFR is the source of the financial statement and Other Information schedules presented in the Financial Statement Audit Report for the School Corporation and the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report for the School Corporation. The Treasurer prepared and entered the information into Gateway without a review or approval process prior to submission.

Due to the lack of internal controls, the AFR included the following errors:

Financial Data

- The Education fund receipts and disbursements were understated by \$4,925,624 and \$6,438,876, respectively, which overstated the ending cash and investments balance by \$1,513,252 for fiscal year 2021-2022.
- The Operations fund receipts and disbursements were understated by \$1,857,779 and \$2,953,196, respectively, which overstated the ending cash and investments balance by \$1,095,417 for 2021-2022.
- Other individually immaterial errors understated receipts and disbursements by \$3,581,989 and \$3,820,624, respectively, which overstated the ending cash and investments balance by \$238,636 for 2021-2022.
- Individually immaterial errors understated receipts and disbursements by \$1,127,949 and \$1,312,763, respectively, and overstated other financing sources and uses by \$1,107, which overstated the ending cash and investments balance by \$185,921 for 2022-2023.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, Other Financial Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation.

Leases and Debt

The School Corporation had two leases. The leases were submitted on the AFR as both Leases and Debt, resulting in the following errors for 2022-2023:

- The 2017 Bond ending principal balance was overstated by \$8,137,700, and principal due within one year was overstated by \$8,380,000.
- The 2021 Bond ending principal balance was overstated by \$13,971,700, and principal due within one year was overstated by \$14,435,000.

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.

LEWIS CASS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Grants

- The Child Nutrition Cluster expenditures were understated by \$150,415 for 2021-2022 and overstated by \$372,291 for 2022-2023.
- The COVID-19 - Education Stabilization Fund expenditures were understated by \$126,148 and \$652,303 for 2021-2022 and 2022-2023, respectively.
- The Medicaid Cluster expenditures were overstated by \$9,262 for 2021-2022 and understated by \$107,202 for 2022-2023.
- Additional grants had individually immaterial errors that resulted in the understatement of expenditures by \$58,172 for 2022-2023.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report of the School Corporation.

In addition, three grants had individually immaterial errors that resulted in the understatement of expenditures by \$614 and \$13,366 for 2021-2022 and 2022-2023, respectively. Adjustments were not proposed for these amounts.

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](#)."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (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:

"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. . . .

LEWIS CASS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

CAPITAL ASSETS

Condition and Context

The School Corporation maintained a capital asset listing; however, it was not maintained properly. There were five assets tested that were above the established capital assets threshold of \$10,000 (as stated in the capital asset policy). None of the five assets appeared on the capital assets ledger. The omitted assets included new IT servers, a John Deere tractor and gator, walk in coolers, and a new oven.

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)

MONTHLY AND ANNUAL UPLOADS

This same comment appeared in a Management Letter addressed to the Treasurer of the School Corporation for the audit period ending June 30, 2021.

Condition and Context

The School Corporation did not properly complete the required monthly or annual uploads in the Indiana Gateway for Government Units (Gateway) financial reporting system per State Examiner Directive 2018-1.

The School Corporation did not include monthly bank statement or outstanding checks.

The annual uploads were also incomplete with the following items not uploaded correctly:

- Detailed receipts and disbursement files were not uploaded correctly. The form 9 ledger was uploaded instead.
- The salary schedule for noncertified staff was not uploaded. The staff handbook was uploaded in place of the salary schedule.
- The annual pay history was not uploaded.
- The school lunch subsidiary ledger was not uploaded.

LEWIS CASS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation adopted a policy titled Determination of "Legal Settlement and Eligibility for Enrollment of Students Without Legal Settlement in the Corporation; Proof of Indiana Residency" that stated, "the School Corporation shall maintain proof of Indiana residency for each student enrolled in the Corporation." The School Corporation was unable to provide documentation for proof of Indiana residency for any of the 28 students tested.

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."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

LEWIS CASS SCHOOLS
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)

LEWIS CASS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2024, with Valerie Moore, Treasurer; Dr. Tim Garland, Superintendent of Schools; Rick Lee, President of the School Board; Tim Johnson, School Board member; and Kristi Hull, School Board member and former Treasurer.