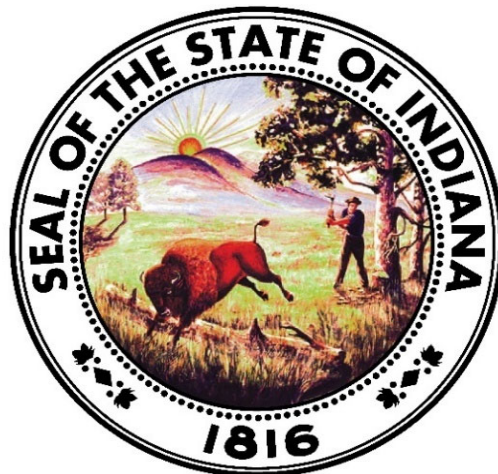


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
COMMUNITY SCHOOLS OF FRANKFORT
CLINTON COUNTY, INDIANA
July 1, 2021 to June 30, 2023



FILED

03/21/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leslie L. Michael Paul Gabriel (interim) Scott Weltz	07-01-21 to 01-01-23 01-02-23 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Joel McKinney Dr. Matthew Rhoda	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Sandra L. Miller	07-01-21 to 06-30-24



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TO: THE OFFICIALS OF THE COMMUNITY SCHOOLS OF FRANKFORT, CLINTON COUNTY, INDIANA

This report is supplemental to the audit report of the Community Schools of Frankfort (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 4, 2024

COMMUNITY SCHOOLS OF FRANKFORT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The School Corporation filed its reports as prescribed; however, the internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although in fiscal year 2021-2022, the Treasurer and the Deputy Treasurer prepared, entered, and reviewed the federal award information entered into Gateway, and, in 2022-2023, the Treasurer and an outside consultant prepared, entered, and reviewed the federal award information entered into Gateway, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

- The National School Lunch Program expenditures were overstated by \$743,877, and the School Breakfast Program expenditures were understated by \$528,679 for 2022-2023 due in part to all expenditures for the School Breakfast Program being reported in the National School Lunch Program.
- Four grants had individually immaterial errors that resulted in misstatements of expenditures of \$185,127, in total, for 2021-2022. Ten grants had individually immaterial errors that resulted in misstatements of expenditures of \$346,788, in total, for 2022-2023.
- Other errors included incorrect program names and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this Federal Compliance Audit Report for 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 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](#)."

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:

COMMUNITY SCHOOLS OF FRANKFORT
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

CAPITAL ASSETS

A similar comment appeared in prior Report B59262, entitled *CAPITAL ASSETS*.

Condition and Context

The School Corporation did not provide documentation that a physical inventory of capital assets had been completed every two years as required. Additionally, the School Corporation did not maintain a complete capital asset ledger that included the required elements.

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)

AVERAGE DAILY MEMBERSHIP (ADM) - RESIDENCY POLICY AND VERIFICATION

A similar comment appeared in prior Report B59262, entitled *AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS*.

Condition and Context

The Indiana Department of Education issued a memo on August 27, 2020, requiring each school corporations' Governing body to adopt or re-adopt a policy that addresses verifying Indiana residency for students. School corporations were required to specify documentation (not to exceed three items) required to verify Indiana residency.

The same Indiana Department of Education memo provided written guidance for verification of Indiana residency as it relates to reporting a student for membership. The guidance provided stated:

- "● School corporations and charter schools must maintain proof of Indiana residency for each student in the student's electronic or hard copy file.

COMMUNITY SCHOOLS OF FRANKFORT
AUDIT RESULTS AND COMMENTS
(Continued)

- Proof of residency must be filed for each student for whom the school corporation or charter school counts for membership.
- Proof of residency must be on hand for each student prior to the student being claimed on the fall and/or spring membership count dates."

The School Corporation had an enrollment policy that did not directly address verification of residency for all students. Also, during the audit period, the School Corporation had not adopted or re-adopted a policy that stipulates what specific documentation the School Corporation will accept for verifying Indiana residency.

Of 28 students tested, 6 student files did not indicate sufficient evidence of residency verification. Additionally, an attendance record was not provided for one student.

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."

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)

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)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the following funds that were not reimbursable grant funds with overdrawn cash balances at June 30, 2022 and 2023.

COMMUNITY SCHOOLS OF FRANKFORT
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	June 30, 2022 Amount Overdrawn	June 30, 2023 Amount Overdrawn
Curricular Materials Rental	\$ 289,122	\$ 443,091
Wccc Vocational Area 19	303,131	199,866
Health Insurance	-	18,451

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)

COMPENSATION AND BENEFITS

Condition and Context

The rates of pay for 2 of 24 employees selected for testing could not be verified. School Corporation personnel were not able to provide School Board approved salary schedules approving the rate of pay for these two employees. Additionally, for one employee tested, a timecard showing hours worked was not presented for audit.

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)



Pillars of Excellence: Community, Literacy, and Post-Secondary Expectations

To: State Board of Accounts

From: Scott Wultz

Date: March 13, 2024

Re: Official Response to the Results and Comments, Audit period 2021-2023

Let this letter serve as the official response by the Community Schools of Frankfort regarding the Results and Comments from the audit period July 1, 2021 through June 30, 2023.

Errors in the Annual Financial Report

The Schedule of Expenditures of Federal Awards (SEFA) was completed on time as part of the Annual Financial Report for both fiscal periods. Errors were made in the names of programs and identifying numbers. Additionally, errors were made in the reporting of disbursements for the Child Nutrition Cluster. All errors mentioned above in the SEFA have been corrected as of this response and to the satisfaction of the SBOA auditors.

Dr. Matt Rhoda
Superintendent

Capital Assets

A physical inventory of the capital assets did not take place in the two year audit period as required, nor did the Community Schools of Frankfort maintain a complete capital asset ledger that included the required elements. The Community Schools of Frankfort will pursue the completion of a physical inventory and capital asset ledger in 2024, and will continue to do so biennially.

Scott Wultz
Assistant
Superintendent

Eric Farley
Chief Academic
Officer

Average Daily Membership Residency Policy and Verification

The Community Schools of Frankfort does not currently have a board policy regarding student enrollment that specifically addresses the verification of address of the student. The Community Schools of Frankfort is working with the Indiana School Board Association to adopt a policy that meets SBOA and IDOE requirements.

Sandy Miller
President

Karen Sutton
Vice President

Overdrawn Funds

Some non-reimbursable grant funds were overdrawn during the audit period. Steps are being taken to correct these fund balances. An example is the Textbook Rental Fund which is used to purchase curriculum materials for all students. The recent change in state law for funding textbook rental will rectify this negative balance with the next state deposit in 2024.

James McQuade
Secretary

Mandi Mitchell
Board Member

Compensation and Benefits

SBOA was not able to confirm that the rates paid to two employees were board approved. These two employees are School Resource Officers, whose hourly rates were not included on the approved hourly rate sheet. This employee category will be added to the hourly rate sheet and will be board approved at an upcoming school board meeting.

Kristen Beardsley
Board Member

Bob Marcum
Board Member

Scott Wultz

Assistant Superintendent of Business and Finance / Treasurer

Joel Tatum
Board Member

Ensuring Excellence for Every Student Every Day

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COMMUNITY SCHOOLS OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2024, with Dr. Matthew Rhoda, Superintendent of Schools; Scott Weltz, Treasurer; Sandra L. Miller, President of the School Board; Karen Sutton, Vice President of the School Board; and Joel Tatum, School Board member.