

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION

PULASKI COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
03/13/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela Anspach (Vacant) Stefanie Grandstaff	07-01-21 to 11-01-21 11-02-21 to 11-07-21 11-08-21 to 06-30-24
Superintendent of Schools	Dara Chezem	07-01-21 to 06-30-24
President of the School Board	Tim Rausch	07-01-21 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EASTERN PULASKI COMMUNITY
SCHOOL CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to the audit report of the Eastern Pulaski Community School Corporation (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

February 29, 2024

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B59171, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The School Corporation had filed its reports as prescribed; however, the internal controls over the Annual Financial Report (AFR) information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, were not effective.

Financial Data

Due to the lack of effective internal controls, the financial statement presented in the Financial Statement Audit Report for the School Corporation contained the following errors:

- The Payroll Liability fund receipts were understated by \$3,156,435 and \$4,057,789 for the years ended June 30, 2022 and 2023, respectively.
- The Payroll Liability fund disbursements were understated by \$3,073,378 and \$4,144,992 for the years ended June 30, 2022 and 2023, respectively.
- The Health Insurance fund net other financing sources and uses were understated by \$1,495,778 for the year ended June 30, 2022, and overstated by \$145,525 for the year ended June 30, 2023.
- The Health Insurance fund disbursements were understated by \$1,495,778 and \$625,170 for the years ended June 30, 2022 and 2023, respectively.
- The Health Insurance fund receipts were understated by \$770,695 for the year ended June 30, 2023.
- The ending cash balance was understated by \$83,057 and \$87,202 as of June 30, 2022 and 2023, respectively.

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

Capital Assets

- Capital assets were overstated by \$46,345,784 for the year ended June 30, 2022.
- Capital assets were overstated by \$44,448,258 for the year ended June 30, 2023.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the School Corporation.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

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. . . ."

CAPITAL ASSETS

A similar comment appeared in prior Report B59171, entitled *CAPITAL ASSETS*.

Condition and Context

The School Corporation maintained a capital asset inventory listing; however, it was not updated and maintained accurately. In fiscal year 2021-2022, the School Corporation paid \$1,130,000 to install a new roof on the elementary school as an improvement; however, the capital asset inventory listing was not updated to include the improvement. In 2022-2023, the School Corporation paid \$225,308 for two new school buses and sold two old school buses for \$176,786, but the capital asset inventory listing as of June 30, 2023, was not updated to reflect the acquisitions and sales.

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)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID SCHOOL MEAL ACCOUNTS

The same comment appeared in prior Reports B54607 and B59171, entitled *PREPAID SCHOOL MEAL ACCOUNTS*, and a similar comment appeared in prior Reports B47014 and B52319, entitled *PREPAID LUNCH ACCOUNT RECONCILIATIONS*.

Condition and Context

The food service director was providing the Treasurer with monthly reports to compare the balance of the individual student prepaid lunch accounts to the balance of the Prepaid School Lunch fund on the School Corporation's financial ledger. However, the School Corporation's Prepaid School Lunch fund was not in agreement with subsidiary records of the student accounts for the school years ended June 30, 2022 and 2023. Subsidiary records of the student accounts reflected balances of \$26,136 and \$22,479 at June 30, 2022, and June 30, 2023, respectively. The Prepaid School Lunch fund balance at June 30, 2022, and June 30, 2023, was \$32,402 and \$13,676, respectively.

Criteria

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)

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 the balance should not be included in the School Lunch fund. It is required that you 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, you 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2024, with Stefanie Grandstaff, Treasurer; Dara Chezem, Superintendent of Schools; Tim Rausch, President of the School Board; and Jimmy Terry, School Board member.