

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/26/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Leap (Vacant) Julie Cramer	07-01-21 to 06-30-23 07-01-23 to 07-16-23 07-17-23 to 06-30-24
Superintendent of Schools	Dr. Matt Vance Jim Jameson	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Doug Marlow Tammy Jackman Jeff Amos Dr. Steve Sickbert	07-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

This report is supplemental to the audit report of the Rush County 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 14, 2024

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B59373, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The financial statement included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn as of	
	2022	June 30, 2023
Lilly Grant	\$ 1,640	\$ 1,640
Indiana Youth Survey	734	734
LCC-Drug Free Communities 2020	2,363	3,576
NESP 2021-2022	1,224	5,829
Career And Technical Performance Grant	4,889	4,376
LCC 2019-2020	19,925	19,925
Other State-Technology Rebates	-	19,698
Title I-14-15	68,675	68,675
Title I 2022-2023	-	116,339
Title I-15-16	6,696	6,696
Title I-16-17	77	77
Title I-18-19	76,836	76,836
Title I-19-20	2,187	2,187
Title I-20-21	3,644	7,876
Title I-Sig 2019-2020	5,500	5,500
IDEA Special Education Grant	153,387	153,387
FY2021 Part B 611 2020-2021	119,343	16,414
FY2021 Part B 619 2020-2021	38,210	97,069
Part B 611 FY2022	396,108	594,920
Special Education Improvement	1,835	1,835
611 Part B 2017-18	42,288	42,288
611 Part B 18-19	14,376	22,137
FY 2020 Part B 619 19-20	44,017	44,017
Title IV FY21	3,912	42,068
Enhanced Act Education Program	23	23
Title II FFY 2020	8,926	-
Title II-A	-	31,883
Title II 2013-15	10,170	10,170
Title II 2014-16	8,401	8,401
Title IIA FY2021	26,815	22,335
Title II A 2017	97,654	97,654
Title II A 18-19	4,148	4,148
CARES Act FY2020	9,427	9,427
Payroll Withholdings-SS	34	131
Payroll Withholdings-Blue Cross Clearing	5,410	12,993
Payroll Withholdings-PERF	439	490
Payroll Withholdings-Annuities	3,578	3,526
Payroll Withholdings-Garnishee	-	13
Other Clearing-Colonial-S125	-	682
Other Clearing-HSA	10	10
SE 6001 PartB 2022-2023	-	300,588

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Typically, no exception is taken to overdrawn cash balances in reimbursable grant funds; however, reimbursement requests were not being prepared and filed in a timely manner during the audit period.

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.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

ANNUAL FINANCIAL REPORT

Similar comments appeared in prior Report B59373, entitled *INTERNAL CONTROLS* and *ANNUAL FINANCIAL REPORT*.

Condition and Context

The School Corporation is required to file financial 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 information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement, Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Expenditures of Federal Awards (SEFA), and Schedule of Leases and Debt, were not effective.

The School Corporation failed to properly review the financial information, grant information, and leases and debt information prepared and submitted in Gateway. For fiscal year 2021-2022, the Treasurer prepared and submitted the information, and it was reviewed by the School Board; however, the internal control was not effective and did not detect and allow for correction of errors prior to submission. For 2022-2023, the Treasurer prepared and submitted the financial information without a documented internal control in place to prevent, or detect and correct, errors prior to submission.

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

Financial Information

- For the fiscal year ending June 30, 2022, six federal grant funds were omitted. Five of the funds had negative ending cash and investment balances as of June 30, 2021, and one fund had a positive ending cash and investment balance as of June 30, 2021. As such, the beginning and ending cash and investment balances were overstated by \$273,159.
- For the fiscal year ending June 30, 2023, the activity of twenty-eight additional funds was omitted, resulting in the beginning cash and investments balances reported being overstated by \$273,159, receipts being understated by \$5,201,970, disbursements being understated by \$5,604,615, and ending cash and investments balance being overstated by \$675,804.

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and 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 for the School Corporation.

Grant Information

- The Child Nutrition Cluster expenditures were understated by \$1,564,856 in 2021-2022 and \$1,311,289 in 2022-2023.
- Other grants had individually immaterial errors that resulted in misstatements of expenditures of \$62,360 and \$143,212, in total, in 2021-2022 and 2022-2023, respectively.
- Some federal program titles were incorrect.

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

Leases and Debt Information

- Principal and interest due within one year was omitted from the 2022-2023 AFR, resulting in an understatement of \$480,000.
- One lease with a holding corporation was incorrectly classified as Notes and Loans Payable, resulting in an overstatement in ending principal balance of \$12,040,000.

Audit 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 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 as set forth in the uniform compliance guidelines. 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:

"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.

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The School Corporation did not comply with the State Examiner Directive and failed to upload the monthly bank statements as well as all of the required annual uploads on the Indiana Gateway for Government Units financial reporting system for both years of the audit period.

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)

A similar comment appeared in prior Report B59373, entitled *AVERAGE DAILY MEMBERSHIP*.

Condition and Context

There were deficiencies noted in the internal controls over reporting of the Average Daily Membership (ADM). The ADM information is compiled and input by the Technology Coordinator and reviewed and certified by the Superintendent of Schools and Treasurer; however, the internal controls were deemed not effective.

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The building level officials (Principal, Assistant Principal, etc.) did not certify the ADM in the form of a written certification to the School Corporation Central Office for all four count dates during the audit period. The building level officials are responsible for reporting the ADM to the School Corporation Central Office; therefore, the ADM reported to the School Corporation Central Office was not properly certified prior to the Superintendent of Schools verifying the ADM count and submitting to the Indiana Department of Education.

Additionally, the School Corporation did not establish proper internal controls to ensure that students were enrolled correctly and were residents of Indiana. The School Corporation has a policy for Proof of Residency (policy). The policy states that verification of legal settlement must be provided by a parent/legal guardian seeking enrollment. Proof of residency was not provided for any of the 28 students selected for testing.

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. . . ."

Officials shall maintain records (enrollment card, 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)

IDOE Memo dated August 27, 2020 - Verification of Residency for Membership, states in part: ". . . School corporations and charter schools must maintain proof of Indiana residency for each student in the student's electronic or hard copy file. . . ."

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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)

RUSH COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2024, with Julie Cramer, Treasurer; Jim Jameson, Superintendent of Schools; Grant Peters, Assistant Superintendent of Schools; Dr. Steve Sickbert, President of the School Board; and Kevin Banks, School Board member.