

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Annual Financial Report	4-5
Prepaid School Meal Accounts.....	5-6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jackquan E. Gray	07-01-21 to 03-14-24
Superintendent of Schools	Dr. James Callane Craig Jernagan	07-01-21 to 05-31-23 06-01-23 to 06-30-24
President of the School Board	Robert Daine Allen Wilson	07-01-21 to 01-08-23 01-09-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

This report is supplemental to the audit report of the Maconaquah 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

March 12, 2024

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B59345, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

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 and the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report for the School Corporation. Although one employee prepared and entered the information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow for correction of the following errors prior to submission.

Due to the lack of effective internal controls, the financial statement, other information, and SEFA presented for audit included the following errors:

Financial Statement

- The Bank to Bank Transfer fund receipts and disbursements, which represented transfers between bank accounts, were included in the AFR transactions. This overstated both receipts and disbursements by \$8,664,603 and \$8,928,569 for fiscal years 2021-2022 and 2022-2023, respectively.
- Four additional funds had individually immaterial errors that resulted in a combined misstatement of receipts and disbursements of \$809,413 and \$1,797,176, respectively.

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.

Capital Assets

It could not be determined if the School Corporation correctly reported the capital asset information. The capital asset ledger was not complete and did not include all of the \$48,216,399 of capital assets the School Corporation reported in its AFR.

The Schedule of Capital Assets was not presented in the Financial Statement Audit Report for the School Corporation.

Leases and Debt

The leases and debt information entered into Gateway did not properly report the outstanding debt and annual lease payments of Maconaquah School Corporation as of June 30, 2023. The School Corporation reported three leases as debt in its AFR.

Additionally, annual lease payments for all three Maconaquah School Corporation leases were reported incorrectly, which understated annual lease payments by \$1,353,723, in total.

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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.

Grants

The grant information reported in Gateway contained errors, which resulted in total misstatements in expenditures of \$1,124,537.

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.

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:

"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. . . ."

PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B59345.

Condition and Context

The School Corporation's Prepaid Food fund, was not in agreement with subsidiary records of the student accounts for fiscal years 2021-2022 and 2022-2023. Subsidiary records of the student accounts reflected a balance of \$6,518 and \$19,951 as of June 30, 2022, and June 30, 2023, respectively. The Prepaid Food fund balance as of June 30, 2022, and June 30, 2023, was (\$19,874) and \$32,403, respectively. In addition, the School Corporation was not performing monthly reconciliations of the Prepaid Food fund with the total of the individual prepaid school meal accounts as required.

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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)

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2024, with Jackquan E. Gray, Treasurer; Craig Jernagan, Superintendent of Schools; David Noonan, School Board member; Jennifer Miller, School Board member; Tim White, School Board member; Robert Daine, School Board member; Kelly McPike, Assistant Superintendent of Schools; and Juli Windsor, Food Service Director.