

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION

PUTNAM COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
02/27/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Hilarie Logan	07-01-21 to 06-30-24
Superintendent of Schools	Corey Smith	07-01-21 to 06-30-24
President of the School Board	Hollie Hutcheson Lisa Cooper	07-01-21 to 06-30-22 07-01-22 to 06-30-24



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TO: THE OFFICIALS OF THE SOUTH PUTNAM COMMUNITY
SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

This report is supplemental to the audit report of the South Putnam 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 15, 2024

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to other financing sources and uses.

The School Corporation had not established an effective system of internal controls over transfers reported as other financing sources and uses. There was no evidence that there was an oversight, review, or approval process over the transfers.

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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 information entered into Gateway contained the following errors:

Grants

- The Title I Grants to Local Educational Agencies program was omitted for fiscal years 2021-2022 and 2022-2023, which caused expenditures to be understated by \$201,514 and \$461,935, respectively.
- The Education Stabilization Fund grant was omitted, which caused the expenditures for 2022-2023 to be understated by \$678,204.
- Several additional grants had individual immaterial errors, that resulted in misstatements of expenditures of \$553,443 in total.

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

Leases and Debt

- The 2020 General Obligation bond was omitted from the debt schedule, which resulted in the ending principal balance being understated by \$295,000 and \$100,000, and the amount due within one year being understated by \$196,388 and \$100,000 for 2021-2022 and 2022-2023, respectively.
- The 2021 General Obligation bond was omitted from the debt schedule, which resulted in the ending principal balance being understated by \$4,045,000 and \$2,805,000, and the amount due within one year being understated by \$1,353,925 and \$1,000,000 for 2021-2022 and 2022-2023, respectively.
- The 2022 General Obligation bond was omitted from the debt schedule, which resulted in the ending principal balance being understated by \$1,800,000 and \$1,510,000, and the amount due within one year being understated by \$290,000 and \$900,000 for 2021-2022 and 2022-2023, respectively.
- The General Obligation Pension bond ending principal balance was overstated by \$1,330,000 and \$1,545,000, and the amount due within one year was overstated by \$1,198,902 and \$1,775,000 for 2021-2022 and 2022-2023, respectively.
- For fiscal year 2022, the Toshiba copy machine lease payment due within one year was understated by \$16,953.

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.

Capital Assets

The amount reported on the AFR for the Capital Asset Schedule for June 30, 2022, was not materially correct. Capital assets were understated by \$1,528,684.

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](#)."

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B59321.

Condition and Context

Of the eight employees tested, three had not received training on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B59321.

Condition and Context

The School Corporation incorrectly certified in the Annual Financial Report, that required personnel had received training regarding internal control standards.

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](#)."

ORDINANCES AND RESOLUTIONS

A similar comment appeared in Management Letters addressed to the Officials of the School Corporation for the audit periods ended June 30, 2019, and June 30, 2021.

Condition and Context

For 1 of 20 employees tested, the salary was not paid in accordance with the salary ordinance. The employee's salary changed during the audit period, but the salary ordinance was not amended.

The School Corporation had a policy stating delinquent school food accounts and textbook rental amounts will be sent to small claims court; however, delinquent accounts were not sent for collection during fiscal years 2021-2022 or 2022-2023.

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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)

AVERAGE DAILY MEMBERSHIP (ADM)

The same comment also appeared in prior Report B59321.

Condition and Context

The School Corporation did not follow its own Enrollment Policy and ensure that proof of residency documentation and other required enrollment documents were retained for all students reported in its Average Daily Membership counts submitted to the Indiana Department of Education throughout the audit period. We conducted tests of both the School Corporation's in-person (Brick and Mortar) students and its Virtual program (Virtual) students.

Brick and Mortar

The School Corporation failed to provide proof of Indiana residency documentation for 21 of the 28 (75 percent) students selected for testing. Additionally, the School Corporation failed to provide copies of student birth certificates and school enrollment application forms for 1 of 28 (3 percent) students selected for testing.

Virtual

The School Corporation failed to provide proof of Indiana residency documentation for 2 of the 2 students selected for testing.

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)

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

INTERFUND TRANSFERS

A similar comment also appeared in prior Report B59321.

Condition and Context

Of the eight interfund transfers tested, four were not approved by the School Board.

Criteria

Indiana Code 36-1-8-5.1(d) states in part:

"In any fiscal year, a political subdivision may, at any time, do the following:

- (1) Transfer any unused and unencumbered funds specified in subsection (b)(2)(A) from any fiscal year to the rainy day fund.
- (2) Transfer any other unobligated cash balances from any fiscal year that are not otherwise identified in subsection (b)(2)(A) or section 5 of this chapter to the rainy day fund as long as the transfer satisfies the following requirements:

(A) The amount of the transfer is authorized by and identified in an ordinance or resolution . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SOUTH PUTNAM COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 15, 2024, with Lisa Cooper, President of the School Board; Corey Smith, Superintendent of Schools; Hilarie Logan, Treasurer; and Lori Boyce, Food Service Director.