

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH ADAMS COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**

03/08/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beth A. Quinn	07-01-21 to 06-30-24
Superintendent of Schools	Kimberly G. Hiatt	07-01-21 to 06-30-24
President of the School Board	Stacey L. Bussel	07-01-21 to 06-30-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH ADAMS COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to the audit report of the North Adams Community 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/](http://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 27, 2024

NORTH ADAMS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS**

*Condition and Context*

We noted the following exceptions during the testing of the Average Daily Membership (ADM) counts for the audit period which included the ADM counts for September 2021, February 2022, September 2022, and February 2023.

In the sample tested, for 14 of the 62 students, the School Corporation was unable to present the required proof of age (birth certificates). In addition, the School Corporation was not able to present 48 address verification documents to confirm Indiana residency.

The School Corporation did not retain and, therefore, could not provide documentation that the building level officials had completed written certifications of the ADM counts, or other enrollment documentation to verify the ADM counts claimed on the dates noted above.

*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)

**ANNUAL FINANCIAL REPORT**

*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 presented in the Financial Statement Audit Report, as well as 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.

NORTH ADAMS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Due to the lack of effective internal controls, the AFR included the following errors:

*Financial Data*

- Bank to bank transfers were included in the AFR receipts and disbursements, which overstated receipts and disbursements by \$480,983 for fiscal year 2022-2023.
- Construction fund receipts and disbursements included investment activity of a certificate of deposit purchase, which overstated receipts and disbursements by \$2,000,000, respectively, for 2022-2023.
- A receipt of \$357,018 was incorrectly recorded into the School Lunch fund for 2022-2023 that should have been recorded in the Prepaid School Lunch Accounts fund.
- Transfers in and transfers out reported on the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis did not agree on the AFR for 2021-2022 and 2022-2023.
- Receipts and disbursements contained multiple miscoded entries, which incorrectly classified receipts and disbursements for 2021-2022 and 2022-2023.

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.

*Leases and Debt*

The Schedule of Leases and Debt did not properly report the outstanding debt and annual lease payments of North Adams Community Schools at June 30, 2023. The 2017 NACS Ren. Bldg. Corp Ad Valorem Prop Tax First Mortgage Bonds and the 2018 NACS Ren Bldg. Corp Ad Valorem Prop Tax First Mortgage Bonds Lease Agreements were erroneously classified as outstanding debt. In addition, the 2022 General Obligation Bond ending principal balance was overstated by \$390,000.

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.

*Capital Assets*

During the audit period the School Corporation purchased a HVAC system in the amount of \$1,420,440 and paving for a traffic improvement project in the amount of \$1,069,051, with ESSER III - American Rescue Plan funds. The HVAC system and the paving project were not added to the Schedule of Capital Assets on the AFR.

Audit 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 for the School Corporation.

NORTH ADAMS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Grant Information*

The grant information reported contained numerous errors which resulted in misstatements of expenditures totaling \$445,057.

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. . . ."

**CAPITAL ASSETS**

*Condition and Context*

During the audit period, the School Corporation disbursed funds for the purchase and installation of an HVAC system in the amount of \$1,420,440; paving for a traffic improvement project in the amount of \$1,069,051; and a dehumidification unit for the pool in the amount of \$328,076 with ESSER III - American Rescue Plan federal grant funds. The HVAC system and the paving project were not added to the capital asset listing for the School Corporation.

Additionally, assets purchased with federal funds also require the property records to include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property. All three assets noted above did not include the required information on the capital asset records.

NORTH ADAMS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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)

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)

NORTH ADAMS COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2024, with Beth A. Quinn, Treasurer; Kimberly G. Hiatt, Superintendent of Schools; and Carla Bultemeier, School Board member.