

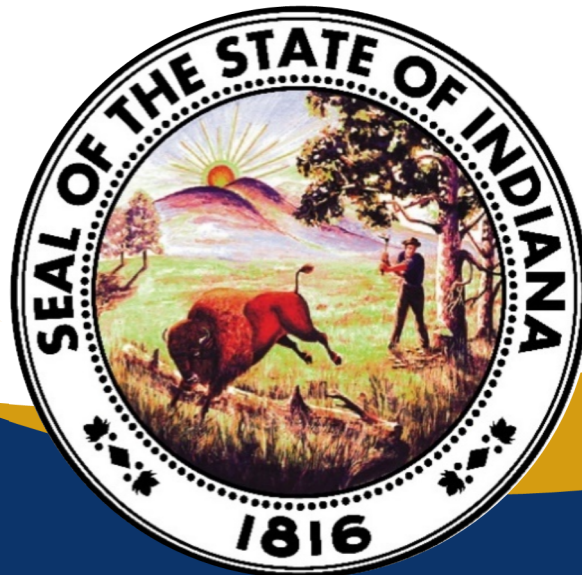
**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA
State Examiner**

COMPLIANCE ENGAGEMENT REPORT
OF

COMMUNITY SCHOOLS OF FRANKFORT
EXTRACURRICULAR ACCOUNTS
CLINTON COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

04/08/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3
Comments:	
Frankfort Middle School.....	4-5
Frankfort High School.....	6-8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
School Corporation Treasurer	Leslie L. Michael Paul Gabriel (interim)	07-01-21 to 01-01-23 01-02-23 to 06-30-23
Assistant Superintendent of Finance and Operations/Treasurer	Scott Weltz	07-01-23 to 06-30-25
Superintendent of Schools	Joel McKinney Dr. Matthew Rhoda	07-01-21 to 06-30-22 07-01-22 to 06-30-25
President of the School Board	Sandra Miller	01-01-21 to 06-30-25



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE COMMUNITY SCHOOLS OF FRANKFORT, CLINTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Community Schools of Frankfort, Extracurricular Accounts (School ECAs) for the period of July 1, 2021 to June 30, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the School ECAs as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds and what reports are required to be prepared and filed.

We fulfilled our responsibility as detailed in the first paragraph, by applying procedures over cash, receipts, and disbursements. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials is informational only.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the School ECAs' reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Scott Weltz, Assistant Superintendent of Finance and Operations/Treasurer; Dr. Matthew Rhoda, Superintendent of Schools; and Sandra Miller, President of the School Board, on March 21, 2025.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2025

FRANKFORT MIDDLE SCHOOL
EXTRACURRICULAR ACCOUNT
COMMENT

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Frankfort Middle School Extracurricular Account (ECA) had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would be effective in preventing, or detecting and correcting, noncompliance related to required monthly and annual uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system.

Extracurricular Account Treasurers are responsible for completing required monthly and annual uploads in Gateway.

For the engagement period, the ECA did not upload any of the annually required documents. Required documents consist of the Annual Funds Ledger, Detail of Receipt Activity, Detail of Disbursement Activity, Year-end Bank Statement, and Year-end Outstanding Check List.

For the ECA, five sporting events were selected for testing during the engagement. As an annual detail of receipts was not uploaded into Gateway, amounts reported on the SA-4 reports for ticket sales at these events could not be verified to amounts recorded in the ECA ledger.

For the engagement period, Frankfort High School did not upload any of the annually required documents. Required documents consist of the Annual Funds Ledger, Detail of Receipt Activity, Detail of Disbursement Activity, Year-end Bank Statement, and Year-end Outstanding Check List.

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:

FRANKFORT MIDDLE SCHOOL
EXTRACURRICULAR ACCOUNT
COMMENT
(Continued)

"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. . . ."

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 Extracurricular Accounts, Chapter 5)

FRANKFORT HIGH SCHOOL
EXTRACURRICULAR ACCOUNT
COMMENTS

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Frankfort High School Extracurricular Account (ECA) had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would be effective in preventing, or detecting and correcting, noncompliance related to required monthly and annual uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system.

Extracurricular Account Treasurers are responsible for completing required monthly and annual uploads in Gateway.

For the engagement period, the ECA did not upload any of the annually required documents. Required documents consist of the Annual Funds Ledger, Detail of Receipt Activity, Detail of Disbursement Activity, Year-end Bank Statement, and Year-end Outstanding Check List.

For the ECA, five basketball and five football games were selected for testing during the engagement. As an annual detail of receipts was not uploaded into Gateway as further discussed in the comment below, amounts reported on the SA-4 reports for ticket sales at these events could not be verified to amounts recorded in the ECA ledger.

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. . . ."

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)

FRANKFORT HIGH SCHOOL
EXTRACURRICULAR ACCOUNT
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 Extracurricular Accounts, Chapter 5)

ECA RISK REPORT - SCHEDULE OF BALANCES, RECEIPTS, AND EXPENDITURES

Condition and Context

The Frankfort High School Extracurricular Account had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would be effective in preventing, or detecting and correcting, noncompliance related to the ECA Risk Report - Schedule of Balances, Receipts, and Expenditures filed via the Indiana Gateway for Government Units financial reporting system.

The cash and investment balance reported on the ECA Risk Report - Schedule of Balances, Receipts, and Expenditures as of the end of one fiscal year did not agree with the subsequent fiscal year's beginning cash and investment balance per the ECA Risk Report - Schedule of Balances, Receipts, and Expenditures. The reported cash and investment balance as of June 30, 2022, was \$29,774 less than the reported cash and investment balance as of July 1, 2022.

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. . . ."

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](#)."

FRANKFORT HIGH SCHOOL
EXTRACURRICULAR ACCOUNT
COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

Condition and Context

The Frankfort High School Extracurricular Account (ECA) had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would be effective in preventing, or detecting and correcting, noncompliance related to overdrawn cash balances.

The ECA reported two funds with overdrawn cash balances as of June 30, 2023, on its ECA Risk Report - Schedule of Balances, Receipts, and Expenditures. The funds were overdrawn by \$109 and \$405.

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. . . ."

The cash balance of any fund may not be reduced to 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 Extracurricular Accounts, Chapter 5)