

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CROTHERSVILLE COMMUNITY SCHOOLS

JACKSON COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**  
03/22/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terry Richey	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Terry A. Goodin Dr. Chrystal Street	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Linda Luedeman Chad Ord	07-01-21 to 01-08-23 01-09-23 to 06-30-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CROTHERSVILLE COMMUNITY  
SCHOOLS, JACKSON COUNTY, INDIANA

This report is supplemental to the audit report of the Crothersville 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

March 13, 2024

CROTHERSVILLE COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**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 School Corporation had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

*Financial Data*

The financial information entered into Gateway was inaccurate and not reflective of the financial activity of the School Corporation's underlying financial records. The following errors were identified.

- For fiscal year 2021-2022, three funds had individually immaterial errors that resulted in the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance being understated by \$106,573, \$313,592, \$133,811, and \$286,354, respectively.
- For 2022-2023, the same three funds had individually immaterial errors that resulted in the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance being understated by \$288,694, \$340,741, \$226,333, and \$403,102, respectively.

Adjustments were proposed, accepted by the School Corporation, and made to the financial statement and 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*

The School Corporation reported no information in the Schedule of Capital Assets in the AFR at June 30, 2023. The School Corporation did not maintain a complete detailed listing of capital assets. Therefore, the amounts that should have been reported could not be determined.

The School Corporation approved the omission of the Schedule of Capital Assets, which would have been presented as Other Information in the Financial Statement Audit Report for the School Corporation.

*Accounts Payable and Accounts Receivable*

The School Corporation reported no information in the Schedule of Payables and Receivables at June 30, 2023. The School Corporation did not maintain a detailed listing of accounts payable and accounts receivable. Therefore, the amounts that should have been reported could not be determined.

The School Corporation approved the omission of the Schedule of Payables and Receivables, which would have been presented as Other Information in the Financial Statement Audit Report for the School Corporation.

CROTHERSVILLE COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Leases and Debt*

The School Corporation reported a lease with the Crothersville 2000 School Building Corporation as a bond, which overstated the bond ending principal balance by \$6,050,000, overstated the bond principal due within one year by \$789,600, and understated the annual lease payment by \$677,000.

The School Corporation overstated the ending principal balance of the Retirement Severance Bond by \$6,011.

The School Corporation omitted the Roof and Solar Project bonds, which understated the bond ending principal balance by \$3,260,000 and understated the bond principal due within one year by \$204,000.

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.

*Grant Schedule*

The School Corporation had the following errors reported in Gateway:

- The Child Nutrition Cluster had errors that resulted in misstatements of expenditures of \$83,334, in total.
- Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$124,326, in total.
- Other errors included incorrect program names, identifying numbers, pass-through entities, and local project names.

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 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:

CROTHERSVILLE COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(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. . . ."

### **CAPITAL ASSETS**

The same comment also appeared in prior Report B59840.

#### *Condition and Context*

The School Corporation did not provide a capital assets policy that detailed the threshold at which an item is considered a capital asset. In addition, the School Corporation did not maintain a detailed listing of capital assets reflecting their acquisition value, nor did they conduct a complete physical inventory at least every two years as required.

#### *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 detailed 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)

### **INTERNAL CONTROLS OVER RECEIPTS**

#### *Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to receipts.

#### *Receipts*

The Treasurer collected general School Corporation receipts, made deposits into the bank account, and recorded the receipts in the financial records. Although a separate individual reviewed and signed the bank deposit ticket, the review did not include a comparison of the deposited funds to the receipts that made up those funds. As such, financial activity related to general receipts was completed without a documented oversight, review, or approval process to ensure that general receipt activity was accurately recorded and deposited.

CROTHERSVILLE COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*School Lunch Receipts*

The cafeteria cashier collected school lunch receipts and made deposits into the bank account. A separate individual reviewed and signed the bank deposit tickets, although the review process did not include a comparison of the deposited funds to the school lunch receipts that made up those funds. As such, school lunch receipts were deposited without a documented oversight, review, or approval process to ensure that school lunch receipt activity was accurately recorded and deposited.

*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. . . ."

***AVERAGE DAILY MEMBERSHIP (ADM)***

*Condition and Context*

The School Corporation did not have a proper system in internal controls over Average Daily Membership (ADM), which is used by the Indiana Department of Education (IDOE) to determine the per-pupil funding that the School Corporation receives. Due to the lack of internal controls, the following noncompliance occurred:

*Lack of Required Policies*

As of the end of the audit period, the School Corporation had not adopted a Residency Verification Policy, which is required by the IDOE. Additionally, the School Corporation had one virtual student in attendance during fiscal year 2021-2022. The School Corporation had not adopted an Engagement Policy to cover students that attend virtually.

*Lack of Records*

The School Corporation could not provide documentation to support proof of residency for 23 of the 26 brick and mortar students that were selected for testing. As a result, we were unable to determine if the students were properly enrolled and, accordingly, if they were eligible to be included in the ADM counts submitted to the IDOE.

CROTHERSVILLE COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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."

An Indiana Department of Education Memo dated September 28, 2021, Verification of Residency for Membership, states in part:

". . . Each school corporation's governing body or charter school board must annual adopt or readopt a policy that specifies documentation, not to exceed three items, required to verify Indiana residency. . . ."

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)

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)

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:

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CROTHERSVILLE COMMUNITY 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. . . ."

The Indiana Department of Education (IDOE) has released guidance for reporting ADM information and requires supporting documentation of enrollment and attendance information by grade and school to be signed by the building principle, or head of school, and made available in the event of an audit. There is no further guidance as to what the terms "enrolled" and "attending" mean outside of IC 20-43-1. Therefore, we are of the audit position that each school should adopt a **student engagement policy** which would mirror the requirements set forth for virtual charter schools in IC 20-247-13(h). (School Bulletin and Uniform Compliance Guidelines, December 2019)

CROTHERSVILLE COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2024, with Terry Richey, Treasurer; Dr. Chrystal Street, Superintendent of Schools; Ellen Prince, Deputy Treasurer; and Chad Ord, President of the School Board.