

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RANDOLPH EASTERN SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**

03/19/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lindsey Burk Kelsey Pechie	07-01-21 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Aaron Black	07-01-21 to 06-30-24
President of the School Board	Linda Puccini Tim Puccini	01-01-21 to 12-31-22 01-01-23 to 06-30-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RANDOLPH EASTERN SCHOOL  
CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to the audit report of the Randolph Eastern 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/](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 5, 2024

RANDOLPH EASTERN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

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

*Condition and Context*

Of the 31 students tested, 7 students did not have the accepted proof of residency forms.

*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)

**PREPAID SCHOOL MEAL ACCOUNTS**

A similar comment also appeared in prior Reports B54452 and B60791.

*Condition and Context*

The School Corporation had established a clearing account, Prepaid Food fund, with fund number 8400; however, no subsidiary ledger was presented for audit and we were unable to confirm if individual meal accounts reconciled with the clearing fund.

*Criteria*

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)

RANDOLPH EASTERN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

### ***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 and Combining Schedules*

- The Social Security Pre-Conversion, Health Insurance Pre-Conversion, and Cancer Insurance Pre-Conversion funds' receipts and disbursements were omitted from the fiscal year 2021-2022 AFR. In addition, the Textbook Rental Fund and Teacher Appreciation Grant fund were completely omitted from the 2021-2022 AFR. The errors resulted in the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance to be understated by \$53,932, \$826,110, \$856,230, and \$23,812, respectively.
- Receipts and disbursements for the Part B 611 Spec Ed Fy 22 fund were incorrectly posted to Idea Part B 611 Fy 20 fund.
- Immaterial posting errors in fiscal year 2022-2023 understated receipts by \$102,664 and disbursements by \$71,875.

Adjustments were proposed, approved 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*

There was no supporting documentation for the capital asset amounts reported in Gateway at June 30, 2023. The School Corporation chose to not report the Schedule of Capital Assets in the Financial Statement Audit Report for the School Corporation.

RANDOLPH EASTERN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Grants*

There were immaterial errors in the grant schedule entered into Gateway.

Adjustments were proposed, approved 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.

*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](#)."

**INTERNAL CONTROLS**

*Condition and Context*

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement.

The financial information was prepared and electronically submitted by the Treasurer to Gateway. For fiscal year 2021-2022, the Superintendent of Schools reviewed and approved the information entered; however, the internal controls were not effective and did not detect and allow correction of errors prior to submission. For 2022-2023, no documented review was performed of the financial information entered into Gateway.

Due to the lack of effective internal controls, the financial statement presented for audit contained the following errors:

- The Social Security Pre-Conversion, Health Insurance Pre-Conversion, and Cancer Insurance Pre-Conversion funds' receipts and disbursements were omitted from the 2021-2022 AFR. In addition, the Textbook Rental Fund and the Teacher Appreciation Grant fund were completely omitted from the 2021-2022 AFR. The errors resulted in the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance to be understated by \$53,932, \$826,110, \$856,230, and \$23,812, respectively.
- Receipts and disbursements for the Part B 611 Spec Ed Fy 22 fund were incorrectly posted to the Idea Part B 611 Fy 20 fund.
- Immaterial posting errors in 2022-2023 understated receipts by \$102,664 and disbursements by \$71,875.

RANDOLPH EASTERN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in the Financial Statement 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. . . ."

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Report B60791.

*Condition and Context*

The financial statement presented for audit included the following non-grant funds or grant funds that were previously fully expended with overdrawn cash balances as of June 30, 2022, and June 30, 2023:

RANDOLPH EASTERN SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Fund	Amount Overdrawn June 30, 2022	Amount Overdrawn June 30, 2023
No Kid Hungry Grant Backpack	\$ 520	\$ 520
Stem Acceleration Grant	102	102
Nesp Grant Fy 19	2,287	2,287
Nesp Fy 21 Grant	33	33
Non-English Speaking 2018-19	4,262	4,262
2020/2021 Tag Awards	5,478	5,478
Title I Basic 19-20	25,946	25,946
Title I Fy18	2,800	2,800
Title 1 Fy 20	7,425	7,425
Idea Part B 611 Fy 20	679	679
Title Iv-Student Support	1,867	1,867
Title li Part A Ffy 2019	1,460	1,460
Title li A Fy17	466	466
Title li Part A	400	400
Rural & Low Income School Fy17	4,572	4,572
Rural & Low Income School Fy18	859	859
Title lii - Engl Prof 17-18	900	900
Title lii - Engl Prof 18-19	79	79
Title lii - English Proficienc	400	400
In State Tax	358	358
In County Tax	587	587
Health Insurance-Pre Conversion	35,098	28,858
City/Village Tax	25	25
G/T High Ability 19-20	81	81
G/T High Ability 20-21	170	170
Part B 611 Spec. Ed FY 22	3,081	3,081

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RANDOLPH EASTERN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

*Condition and Context*

The School Corporation did not properly maintain a complete listing of all capital assets owned which reflected their acquisition value. Additionally, the School Corporation did not complete a physical inventory at least every two years.

*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)

RANDOLPH EASTERN SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2024, with Kelsey Pechie, Treasurer; Aaron Black, Superintendent of Schools; Tim Puccini, President of the School Board; and Neal Adams, Assistant Superintendent of Schools.