

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SMITH-GREEN COMMUNITY SCHOOLS

WHITLEY COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jodi Royer Susan Loftain	07-01-21 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Dan Hile Dr. Randy Zimmerly (interim) Dr. Paul Voigt	07-01-21 to 06-30-22 07-01-22 to 12-31-22 01-01-23 to 06-30-24
President of the School Board	Jeremy Hart Jermiah Johnson	01-01-21 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SMITH-GREEN COMMUNITY SCHOOLS, WHITLEY COUNTY, INDIANA

This report is supplemental to the audit report of the Smith-Green 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/.

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 28, 2024

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not retain and, therefore, could not provide documentation that the building level officials had approved class rosters which would have assisted in the certification of the Average Daily Membership (ADM) counts for the audit period which would have included the counts for September 2021, February 2022, September 2022, and February 2023.

Additionally, the School Corporation has an ADM policy requiring certain documentation to be provided for enrollment. During our testing of 28 students, we identified the following supporting documentation issues:

- Proof of residency documents required in accordance with the School Corporation's ADM policy, such as an unexpired driver's license, was not provided for 26 students.
- Proof of residency documents required in accordance with the School Corporation's ADM policy, such as a current bill, was not provided for 22 students.
- Immunization documents required in accordance with the School Corporation's ADM policy, were not provided for 4 students.
- Proof of age required in accordance with the School Corporation's ADM policy, such as a birth certificate, was not provided for 1 student.

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)

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)

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 schedules presented in the Financial Statement Audit Report for the School Corporation and 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 controls were not effective and did not detect and allow for correction of the following errors prior to submission.

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

Financial Data

- The Bank to Bank Transfer fund receipts and disbursements, which represents transfers between bank accounts, were included in the AFR transactions, which overstated both receipts and disbursements by \$4,519,825 and \$4,900,915 for fiscal years 2021-2022 and 2022-2023, respectively.
- Proceeds of Long-Term Debt were incorrectly presented as receipts in Local Sources, instead of Other Financing Sources, in the amount of \$1,330,788 and \$884,750 for 2021-2022 and 2022-2023, respectively.
- The June 2023 Spring Tax Settlement of \$973,142 was not recorded until July 5, 2023, which understated receipts for 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 the School Corporation at June 30, 2023. The ending principal balances, totaling \$172,186 for two Common School Loans, were not reported as debt. The principal due within one year, totaling \$188,082, was not reported for all the Common School Loans due to being misclassified as short-term debt instead of long-term debt.

Annual lease payments for all four Smith-Green Multi-School Building Corporation leases were reported incorrectly, which understated annual lease payments by \$6,500, in total.

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.

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Grant Information

The grant information reported contained errors, which resulted in misstatements of expenditures totaling \$93,726.

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. . . ."

RECEIPT ISSUANCE AND DEPOSIT OF TAX SETTLEMENT

Condition and Context

The June 2023 Spring Tax Settlement, in the amount of \$973,142, was received June 27, 2023. However, it was not posted to the receipt ledger and deposited until July 5, 2023.

Criteria

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation was not reconciling the Prepaid School Lunch Accounts fund to the detail of individual meal accounts subsidiary ledger (detail). The Prepaid School Lunch Accounts fund did not reconcile to the detail on June 30, 2023. The Prepaid School Lunch Accounts fund balance was \$14,810, while the detail of individual meal accounts subsidiary ledger was \$11,245.

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

SMITH-GREEN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2024, with Dr. Paul Voigt, Superintendent of Schools; Jermiah Johnson, President of the School Board; Susan Loftain, Treasurer; and Jodi Royer, former Treasurer.