

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FAYETTE COUNTY SCHOOL CORPORATION

FAYETTE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
03/13/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Randell Harris	07-01-21 to 06-30-24
Superintendent of Schools	Scott Collins	07-01-21 to 06-30-24
President of the School Board	Leslie Jacobs	07-01-21 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE FAYETTE COUNTY SCHOOL
CORPORATION, FAYETTE COUNTY, INDIANA

This report is supplemental to the audit report of the Fayette County 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/.

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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 27, 2024

FAYETTE COUNTY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

Condition and Context

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway, which was the source of the School Corporation's financial statement; Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis; and Schedule of Expenditures of Federal Awards (SEFA), was incorrect and did not agree with the School Corporation's records.

The School Corporation failed to properly review the financial information and grant information prepared and submitted in Gateway. The Deputy Treasurer prepared and submitted the information, and although it was reviewed and approved by a second official, the internal control was not effective and did not detect and allow for correction of errors prior to submission. Due to the lack of effective internal controls, the information presented for audit included the following errors:

Financial data

- The Clearing Control fund and the Rycor/Heartland Textbook fund were not reported in the AFR in Gateway for fiscal years 2021-2022 and 2022-2023. This understated receipts and disbursements in the amounts of \$25,798,266 and \$24,552,831, respectively.
- The Operations fund receipts of \$1,606,770 were incorrectly reported as Sale of Capital Assets instead of Other Receipts in the AFR for 2022-2023.

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

Grant Information

- Ten grants had individual immaterial errors that misstated grant expenditures by \$1,913,098, in total.

FAYETTE COUNTY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT
(Continued)

- Other errors included incorrect program names, Assistance Listings Numbers, and pass-through entity identifying numbers that were omitted.

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:

"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. . . ."

FAYETTE COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2024, with James Randell Harris, Treasurer; Tina Smith, Deputy Treasurer; Scott Collins, Superintendent of Schools; and Leslie Jacobs, President of the School Board.