

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MEDORA COMMUNITY SCHOOL CORPORATION

JACKSON 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	Teresa Brewer	07-01-21 to 06-30-24
Superintendent of Schools	Roger Bane	07-01-21 to 06-30-24
President of the School Board	Joseph Campbell	07-01-21 to 06-30-24



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE MEDORA COMMUNITY SCHOOL  
CORPORATION, JACKSON COUNTY, INDIANA

This report is supplemental to the audit report of the Medora Community 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 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 29, 2024

MEDORA COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**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. Although, the Treasurer entered the information into Gateway, and the Superintendent of Schools reviewed the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

Due to ineffective internal controls, the AFR contained the following errors:

*Grant Schedule*

The grant schedule as reported in Gateway contained errors. There were ten grants that had individually immaterial errors that resulted in misstatements of expenditures of \$72,387, in total. In addition, other errors included numerous incorrect identification numbers and program names.

Audit adjustments were proposed, accepted 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.

*Leases and Debt*

The leases and debt information as reported in Gateway did not agree to supporting documentation as follows:

- One of the leases was incorrectly reported in Gateway as a tax anticipation note payable. This error resulted in annual lease payments being understated by \$97,857.
- The annual lease payment for the other lease was understated by \$166,000.

MEDORA COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT  
(Continued)

Audit adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt 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 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 Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for 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:

"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. . . ."

MEDORA COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2024, with Roger Bane, Superintendent of Schools; Teresa Brewer, Treasurer; and Faythe Gill, School Board member.