

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MITCHELL COMMUNITY SCHOOLS

LAWRENCE COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**  
02/23/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Malinda Powell	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Brent Comer	07-01-21 to 06-30-24
President of the School Board	Christopher Shaw Steve Burton	07-01-21 to 12-31-23 01-01-24 to 06-30-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

This report is supplemental to the audit report of the Mitchell 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

February 14, 2024

MITCHELL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSETS**

*Condition and Context*

The School Corporation did not maintain a complete detailed listing of capital assets owned, which reflects their acquisition value. The School Corporation hired a consultant to prepare a capital asset inventory every two years that includes the acquisition value. The capital asset inventory is not updated for additions and deletions for the audit period subsequent to the consultant's inventory.

*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)

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*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:

*Capital Assets*

A complete detailed listing of capital assets was not maintained. Therefore, the amount reported for capital assets in the AFR at June 30, 2023, could not be verified for accuracy. The School Corporation approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report of the School Corporation.

*Grants*

1. The COVID-19 - Education Stabilization Fund expenditures were understated by \$350,799 in fiscal year 2022-2023.
2. Additional grants had individually immaterial errors that resulted in expenditures being understated by \$8,161 in 2021-2022 and \$113,692 in 2022-2023.
3. Other errors included incorrect program names, project names, pass-through entities, and identifying numbers.

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 of the School Corporation.

MITCHELL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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. . . ."

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 Indiana Public School Corporation, Chapter 1)

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 Corporation, Chapter 1)

### **PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

Reconciliations between the School Lunch program subsidiary ledger and the control account, Prepaid Food Trust fund (Fund 8400), on the School Corporation's ledger were not performed during the audit period.

*Criteria*

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)

MITCHELL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

*Condition and Context*

The School Corporation could not provide proof of residency documentation for 6 of the 19 virtual students and 9 of the 28 brick and mortar students that were selected for testing.

*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)

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and financial close and reporting.

*Receipts*

The School Corporation had not separated incompatible activities related to receipts. The Treasurer collected general School Corporation receipts, made deposits into the bank account, and recorded the receipts in the financial records. There was no oversight, review, or approval process over receipts to ensure that all receipt activity was accurately recorded and deposited.

MITCHELL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Financial Close and Reporting*

The Treasurer prepared and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. The Superintendent of Schools was to review and approve the AFR to insure the accuracy of information prior to submission; however, there was no evidence presented for audit to document the Superintendent of School's review of the AFR.

*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:

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MITCHELL COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2024, with Malinda Powell, Treasurer; Christopher Shaw, School Board member; Dr. Brent Comer, Superintendent of Schools; Jessica L. Jones, Assistant Superintendent of Schools; Ruthie Lane, Deputy Treasurer; and Alda L. McIntosh, Food Services Director.