

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CULVER COMMUNITY SCHOOL CORPORATION

MARSHALL COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
02/19/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Casey Howard	07-01-21 to 06-30-24
Superintendent of Schools	Karen Shuman	07-01-21 to 06-30-24
President of the School Board	Theresa Thompson Amy Pugh Jack Jones Theresa Thompson	01-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24



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TO: THE OFFICIALS OF THE CULVER COMMUNITY SCHOOL
CORPORATION, MARSHALL COUNTY, INDIANA

This report is supplemental to the audit report of the Culver 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/.

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 7, 2024

CULVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The other information entered by the School Corporation contained the following errors:

Grants

The School Corporation had not established effective internal controls over the federal award information entered into Gateway, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The grant information contained errors that were material in nature.

Leases and Debt

The School Corporation reported two capital leases as debt, which caused ending principal balance and principal due within one year to be overstated by \$16,830,000 and \$1,155,000, respectively, and annual lease payments was understated by \$1,457,500.

Payables and Receivables

The payable and receivable amounts entered into the system were materially inconsistent with the information provided by the School Corporation.

Capital Assets

The capital asset information was not accurate and did not include construction in progress or reflect the assets that had been traded in or removed during the audit period.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA included in the Federal Compliance Audit Report of the School Corporation, and to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the School Corporation. The Schedule of Payables and Receivables and Schedule of Capital Assets were not presented in the Financial Statement Audit Report of 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:

CULVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B60968, entitled *Finding 2021-002: PREPAID SCHOOL MEAL ACCOUNTS*.

Condition and Context

The Clearing Acct - Prepaid Meals fund (control ledger) did not reconcile to the detail of individual student meal accounts (subsidiary ledger). The control ledger balances on June 30, 2022, and June 30, 2023, were \$33,912 and \$19,392, respectively, while the detail on the subsidiary ledger was \$16,631 and \$3,487, respectively.

Criteria

When a student puts money into their individual meal account, it 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 money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

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)

CULVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The School Corporation traded in two buses during the audit period which were not shown as reductions to capital assets and were still maintained on the detailed capital asset ledger. Additionally, the School Corporation used federal grant funds for construction costs that were not reported as construction in progress in the capital asset records.

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)

CULVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2024, with Casey Howard, Treasurer; Karen Shuman, Superintendent of Schools; Theresa Thompson, President of the School Board; Jack Jones, School Board member; and Amy Pugh, School Board member.