

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CANNELTON CITY SCHOOL CORPORATION
PERRY COUNTY, INDIANA
July 1, 2011 to June 30, 2016



FILED
06/20/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Embry	07-01-11 to 06-30-17
Superintendent of Schools	Marion A. Chapman Alva L. Sibbitt, Jr.	07-01-11 to 12-22-11 12-23-11 to 06-30-17
President of the School Board	William Garrett	07-01-11 to 06-30-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CANNELTON CITY SCHOOL CORPORATION, PERRY COUNTY, INDIANA

This report is supplemental to our examination report of the Cannelton City School Corporation (School Corporation), for the period from July 1, 2011 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Examination Report of the School Corporation, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 5, 2017

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Internal controls over the reporting of financial activities were insufficient to prevent material inaccuracies in 6 of the 10 School Corporation Biannual Financial Reports (Form 9) filed with the Indiana Department of Education (IDOE) during the examination period.

A similar comment was included in the prior report.

The 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. . . ."

REPORTING

The Form 9s filed with the IDOE were incomplete and not reflective of the activity of all funds. The cash receipts, disbursements, and balances as reported in the Form 9s for the years ended June 30, 2012, 2013, 2014, 2015, and 2016 did not agree to the receipts, disbursements, and balances recorded in the School Corporation's financial ledgers.

A similar comment was included in the prior report.

Examination adjustments were proposed, accepted by the School Corporation's management, and made to the financial statements.

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)

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statement Examination Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2012, 2013, 2014, 2015, and 2016:

Fund	Amount Overdrawn as of June 30,				
	2012	2013	2014	2015	2016
General	\$ 319,095	\$ 178,694	\$ 72,934	\$ -	\$ -
Referendum Tax Levy	-	-	-	2,064	-
Debt Service	-	-	-	3,558	18,838
Capital Projects	-	7,750	61,814	66,754	56,321
Transportation - Operating	-	5,402	8,384	16,307	15,004
Transportation - School Bus Replacement	-	-	4,979	2,561	1,440
School Lunch	-	-	11,109	29,796	41,882
Welborn Family / School Activities	2,347	2,347	2,347	2,347	2,347
Dorothy Von Solbrig Trust	68	-	-	-	-
SINE	2,140	2,140	2,140	2,140	2,140
Technology Plan Buddy	260	260	260	260	260
Perry County Substance Abuse Grant	2,331	1,283	2,564	2,652	2,652
Gifted and Talented	-	-	7,869	7,869	7,869
Professional Development Capacity	195	195	195	195	195
PL 103-382 ECIA Title I	25,030	6,699	6,808	6,880	6,880
Title I FY2014	-	-	2,830	3,290	3,290
Title I FY2015	-	-	-	42,108	28,051
Title I FY2016	-	-	-	-	9,060
Small / Rural Schools 14-15	-	-	-	469	469
GAP / REAP	8,941	-	-	-	-
Workforce Development Grant	16,784	16,784	16,784	16,784	16,784
Special Education Technology	542	3,224	3,224	3,224	3,224
Tech Literacy Grant	69,825	69,825	69,825	69,825	69,825
Ed Tech II	65,028	65,028	65,028	65,028	65,028
Title I - Grants to LEAs	20,085	20,827	20,827	20,827	20,827
Special Education - Part B	2,302	2,302	2,302	2,302	2,302
Education Jobs	31	31	31	31	31

A similar comment was included in the prior report.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Years	Excess Amount Expended
General	2011	\$ 377,577
Debt Service	2011	84,319
Capital Projects	2011	273
General	2012	297,283
Debt Service	2012	9,407
Transportation	2012	5,045
General	2014	115,444
General	2015	13,083
Debt Service	2015	862

A similar comment was included in several prior reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OPTICAL IMAGES OF CHECKS

Fifth Third Bank did not return the actual cancelled checks or optical images with the monthly bank statements from July 2011 through May 2012 and from May 2014 through June 2016. German American Bank did not return the actual cancelled checks or optical images with the monthly bank statements for the entire examination period.

A similar comment was included in the prior report.

Indiana Code 5-15-5.1-10(a) states in part:

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . . "

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Information presented for examination did not indicate an inventory or record of capital assets was maintained.

A similar comment was in several prior reports.

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 Corporation, Chapter 1)

CANNELTON CITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Alva L. Sibbitt, Jr., Superintendent of Schools; Melissa Embry, Treasurer; and Barbara B. Beard, School Board Secretary.