

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SMITH-GREEN COMMUNITY SCHOOLS

WHITLEY COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

01/28/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Training on Internal Control Standards	4
Certification on Internal Control Standards	4
Internal Controls over Average Daily Membership (ADM)	4-5
Prepaid School Meal Accounts.....	5-6
Negative Payroll Withholding Disbursements	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jodi L. Royer	07-01-17 to 06-30-20
Superintendent of Schools	Daniel G. Hile	07-01-17 to 06-30-20
President of the School Board	Dean A. Geiger Nicholas B. Uecker	01-01-17 to 12-31-18 01-01-19 to 12-31-20



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TO: THE OFFICIALS OF THE SMITH-GREEN COMMUNITY SCHOOLS, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Smith-Green Community Schools (School Corporation), for the period from July 1, 2017 to June 30, 2019. 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 our Financial Statement Audit 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 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.

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

January 22, 2020

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B49654, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS*.

Condition and Context

The School Corporation had adopted the minimum level of internal control standards as required by statute. However, the School Corporation did not provide training to personnel concerning the internal control standards and procedures during the audit period.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation incorrectly certified on the Indiana Gateway for Government Units financial reporting system for 2018 and 2019 that training had been provided to personnel over the adopted internal control standards. However, the School Corporation did not provide training to personnel concerning the internal control standards and procedures during the audit period.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

INTERNAL CONTROLS OVER AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation provided supporting documentation to substantiate the September 2018 ADM claimed; however, there were no certifications of building level officials to properly document responsibility and internal controls over the September 2018 ADM claimed.

SMITH-GREEN 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. . . ."

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)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

Proper procedures were not in place to ensure financial activity related to program income was properly recorded in the Prepaid Food fund. The control account in the financial ledger was not reconciled with the detail meal subsidiary records to ensure that all financial activity recorded in the subsidiary record had been properly identified and recorded in the financial ledger.

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

SMITH-GREEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 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 the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

NEGATIVE PAYROLL WITHHOLDING DISBURSEMENTS

Condition and Context

Transfers of payroll withholdings to the Payroll Withholding/Clearing fund were recorded in the accounting program as negative disbursements instead of receipts. As a result, receipts and disbursements were understated on the financial statement. Audit adjustments were proposed, accepted by the School Corporation, and made to the Payroll Withholdings/Clearing fund on the financial statement.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

SMITH-GREEN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2020, with Jodi L. Royer, Treasurer; Daniel G. Hile, Superintendent of Schools; Nicholas B. Uecker, President of the School Board; and Jeremy Hart, Secretary of the School Board.