

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

EASTERN PULASKI COMMUNITY  
SCHOOL CORPORATION  
PULASKI COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/11/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela Anspach	07-01-17 to 06-30-20
Superintendent of Schools	Dan L. Foster Dr. Gilbert Crimmins (interim) Dara Chezem	07-01-17 to 06-30-19 07-01-19 to 12-31-19 01-01-20 to 06-30-20
President of the School Board	Joe Cunningham Deke DeMarco	01-01-17 to 12-31-17 01-01-18 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EASTERN PULASKI COMMUNITY  
SCHOOL CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Eastern Pulaski Community School Corporation (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 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.

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

February 27, 2020

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**PREPARATION OF SEFA**

*Condition and Context*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, for accuracy prior to submission.

The SEFA contained the following errors:

1. The Child Nutrition Cluster was omitted from the SEFA. This resulted in the understatement of the School Breakfast Program expenditures by \$59,207 and \$56,646 for fiscal years 2017-2018 and 2018-2019, respectively. In addition, the National School Lunch Program expenditures were understated by \$384,727 and \$354,482 for 2017-2018 and 2018-2019, respectively.
2. The Special Education Cluster (IDEA) was omitted. This resulted in the understatement of the Special Education Grants to States expenditures by \$271,069 and \$223,759 for 2017-2018 and 2018-2019, respectively. In addition, the Special Education Preschool Grants expenditures were understated by \$13,621 and \$12,100 for 2017-2018 and 2018-2019, respectively.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$101,155 and \$64,363 for 2017-2018 and 2018-2019, respectively.
4. The Rural Education program was omitted from the SEFA, which understated federal expenditures by \$15,408 in 2018-2019.
5. The Supporting Effective Instruction State Grants program was omitted from the SEFA, which understated federal expenditures by \$28,000 and \$74,894, for 2017-2018 and 2018-2019, respectively.
6. The Medicaid Cluster was omitted from the SEFA, which understated federal expenditures by \$41,845 and \$31,765, for 2017-2018 and 2018-2019, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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:

EASTERN PULASKI 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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](#)."

### **OVERDRAWN CASH BALANCES**

The same comment appeared in the prior Reports B47014 and B52319.

#### *Condition and Context*

The financial statement included in the Financial Statement Audit Report for the School Corporation included the following funds with overdrawn cash balances at June 30, 2018 and 2019:

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Fund	06-30-18 Amount Overdrawn	06-30-19 Amount Overdrawn
Capital Project	\$ -	\$ (38,460)
Post-Retirement/Severance Future Benefits	(26,395)	(51,550)
Grand Piano	-	(7,897)
Retired Teachers Association	-	(86)
School Board Scholarship Fund	-	(58)
Instruction Support	(18,738)	(18,738)
Gifted and Talented 2014-2015	(3,021)	(3,021)
Gifted and Talented 2017-2018	-	(5,428)
Secured School Safety Grant	(17,132)	(96,667)
School Technology	(62,253)	(85,495)
Title One 2016-2017	(124,860)	(53,286)
Title One 2017-2018	(2,894)	(8,304)
Title One 2018-2019	-	(159,982)
Rural Schools and Low Income Program FY 17-18	(6,347)	(6,347)
Rural Schools and Low Income Program FY 18-19	(6,600)	(19,299)
Payroll Clearing	(286,244)	(182,867)

*Criteria*

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)

**PREPAID SCHOOL MEAL ACCOUNTS**

A similar comment appeared in prior reports B47014 and B52319, entitled *PREPAID LUNCH ACCOUNT RECONCILIATIONS*.

*Condition and Context*

Monthly reconcilements of all the students' individual meal account balances to the Prepaid School Lunch fund were not performed. A report of the students' individual meal account balances as of June 30, 2018 and 2019, could not be provided for audit.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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)

**CONDITION OF RECORDS**

*Condition and Context*

Financial records presented for audit were incomplete and not reflective of the activity of the School Corporation. Some of the discrepancies included:

1. Three state distributions totaling \$68,653 were never posted to the records. One state distribution of \$45,449 was posted twice to the records.
2. Receipts of \$5,193,398 and Disbursements of \$2,122,105 were not correctly mapped to the corresponding form 9 accounts when the local records were uploaded to the Indiana Department of Education for reporting.
3. Prior year audit adjustments that netted to an overall decrease of \$390,817 to various fund balances, were proposed, but not made to the records.
4. A dormant money market bank account with a balance of \$4,569,063 was incorrectly posted as a receipt when the School Corporation closed the account and transferred the proceeds into their main checking account.
5. Some journal entries posted to the records were not entered correctly. Amounts posted to liability accounts incorrectly will not properly update the fund cash account. The result is cash fund balances that were not properly stated for bank account balance reconciliations.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRANSFERS TO EDUCATION AND OPERATIONS FUNDS**

*Condition and Context*

The School Corporation did not make the required fund transfers to close out the General fund to the Education fund, nor did they properly transfer the Capital Projects, School Transportation, and School Bus Replacement funds to the Operations fund.

The remaining balances in the General, Capital Projects, School Transportation, and School Bus Replacement funds at June 30, 2019, were \$846,680, (\$38,460), \$1,755,462, and \$648,857, respectively.

*Criteria*

Indiana Code 20-40-2-7(a) states: "On January 1, 2019, the balance, as of December 31, 2018, in the school corporation's general fund shall be transferred to the education fund."

Indiana Code 20-40-18-1 states: "The governing body of each school corporation shall create an operations fund to be used by the school corporation after December 31, 2018."

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in the prior Report B52318, entitled *FINDING 2017-001*.

*Condition and Context*

Monthly bank reconciliations of the record balance to the depository balances were not properly completed for any of the 24 months of the audit period. Differences between record and depository balances varied monthly and were not identified or adjusted timely. We performed a reconciliation as of June 30, 2019, which showed an unidentified variance of \$197,450, with the reconciled depository balance being less than the record balance.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**LATE SUBMISSION OF ANNUAL FINANCIAL REPORT**

*Condition and Context*

The School Corporation's Annual Financial Report for fiscal year 2018-2019 was not filed electronically until October 10, 2019, which was 42 days past the due date.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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](#)."

**LATE SUBMISSION OF CERTIFIED REPORT**

The School Corporation's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) for 2017 was not filed electronically until February 13, 2018, which was 13 days past the due date.

Indiana Code 5-11-13-1(a) states in part:

"Every . . . School . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2020, with Dara Chezem, Superintendent of Schools; Angela Anspach, Treasurer; Dr. Gilbert Crimmins, interim Superintendent of Schools; Stephanie Grandstaff, Assistant Treasurer; and Deke DeMarco, President of the School Board.