

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NETTLE CREEK SCHOOL CORPORATION

WAYNE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/12/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Financial Transactions and Reporting .....	4-5
Average Daily Membership .....	5
Training and Certification on Internal Control Standards .....	5-6
Prepaid School Meal Accounts.....	6
Overdrawn Cash Balance.....	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy Cole Andrew R. Cooper	07-01-17 to 06-30-19 07-01-19 to 06-30-20
Superintendent of Schools	Dr. William Doering Dr. John Williams (interim) Dr. Kyle G. Barrentine	07-01-17 to 06-30-19 07-01-19 to 01-05-20 01-06-20 to 01-05-23
President of the School Board	Cary L. Rhoades Daniel J. Davis	07-01-17 to 12-31-19 01-01-20 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NETTLE CREEK SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Nettle Creek 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

NETTLE CREEK SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to the preparation, approval, and submission of the Form 9 to the Indiana Department of Education. Control activities should be in place to reduce the risk of errors in financial reporting.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal controls.

Due to the lack of controls, the financial statement presented for audit contained the following errors:

1. The School Lunch fund receipts and disbursements were overstated by \$138,539 for the year ended June 30, 2018.
2. The Curricular Materials Rental fund receipts and disbursements were overstated by \$33,996 for the year ended June 30, 2018.
3. The School Lunch fund receipts were understated by \$195,737 and disbursements were understated by \$220,619 for the year ended June 30, 2019.
4. The Curricular Materials Rental fund receipts were understated by \$268,062 and disbursements were understated by \$4,123 for the year ended June 30, 2019.
5. The General fund receipts and other financing uses were understated by \$1,280,419 for the year ended June 30, 2019.
6. The Capital Projects fund receipts and other financing uses were understated by \$217,955 for the year ended June 30, 2019.
7. The School Transportation fund receipts and other financing uses were understated by \$360,589 for the year ended June 30, 2019.
8. The School Bus Replacement fund receipts and other financing uses were understated by \$159,101 for the year ended June 30, 2019.
9. The Operations fund receipts were overstated and other financing sources were understated by \$737,636 for the year ended June 30, 2019.
10. The Education fund receipts were overstated and other financing uses were understated by \$1,280,419 for the year ended June 30, 2019.

NETTLE CREEK SCHOOL CORPORATION  
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. . . ."

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."

**AVERAGE DAILY MEMBERSHIP**

*Condition and Context*

There was no written certification of Average Daily Membership (ADM) by a building level official during fiscal years ended June 30, 2018 or June 30, 2019.

*Criteria*

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)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

A similar comment appeared in prior Report B52901, entitled *TRAINING ON INTERNAL CONTROL STANDARDS*.

NETTLE CREEK SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise have access to funds that belong to School Corporation, did not receive the required training on internal control standards. The Treasurer incorrectly certified with the Indiana State Board of Accounts that the School Corporation personnel were properly trained on those standards.

*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."

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](#)."

**PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

The balance of the Prepaid School Lunch fund was not equal to the total of the individual meal accounts. The variances are as noted:

	Balance June 30, 2018	Balance June 30, 2019
Prepaid School Lunch fund	\$ 23,483	\$ 17,899
Total of Individual Meal Accounts	8,291	3,439
Difference	\$ 15,192	\$ 14,460

*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)

NETTLE CREEK SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCE**

*Condition and Context*

The financial statement presented for audit included negative balances in the School Lunch fund in the amount of \$32,823 and \$24,880 for fiscal year 2017-2018 and 2018-2019, respectively.

*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)

NETTLE CREEK SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2020, with Dr. Kyle G. Barrentine, Superintendent of Schools; Andrew R. Cooper, Treasurer; Daniel J. Davis, President of the School Board; Judy Cole, former Treasurer; and Sarah Brubaker, Executive Secretary.