

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COMMUNITY SCHOOLS

CLAY COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
04/13/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs	Mark Shayotovich	07-01-18 to 06-30-21
Superintendent of Schools	Jeffery Fritz	07-01-18 to 06-30-21
President of the School Board	Kevin Kumpf Tom Reberger	07-01-18 to 12-31-18 01-01-19 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Clay Community Schools (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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/.

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

March 31, 2021

CLAY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

Receipts

Receipts were posted to the accounting system when they were issued by the Deputy Treasurer. A daily listing of the receipts posted (edit report) was compared to the total amount deposited before being posted to the system. The benefits clerk was to review and verify the edit report by signing the report. The documentation of these internal controls were only evident for the first two months of the audit period. For the remainder of the audit period, there was no audit evidence of a review, oversight, or approval process by a person other than the Deputy Treasurer.

Financial Reporting

The School Corporation did not have an effective internal control system in place to prevent, or detect and correct, errors on the financial statement. The July 1, 2018 cash balance of the Construction fund was overstated in the amount of \$5,000,000.

An audit adjustment was proposed, accepted by the School Corporation, and made to the financial statement presented in this report.

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. . . .

CLAY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comments appeared in the immediately prior Report B52810, entitled *Training on Internal Control Standards and Certification on Internal Control Standards*.

Condition and Context

The School Corporation failed to ensure that training was provided for all applicable personnel over the internal control standards.

The School Corporation certified on the Annual Financial Report that all required personnel received the training concerning the internal control standards; however, the documentation to support this certification could not be provided.

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](#)."

CLAY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2021, with Mark Shayotovich, Director of Business Affairs; Jeffery Fritz, Superintendent of Schools; and Tom Reberger, President of the School Board.