

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ROCHESTER COMMUNITY SCHOOL CORPORATION

FULTON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED

04/22/2021

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
Capital Assets	5-6
Prepaid Lunch Student Accounts	6
Training and Certification on Internal Control Standards	6-7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Chandler Todd VanDerWeele	07-01-18 to 07-17-18 07-18-18 to 06-30-21
Superintendent of Schools	Jana Vance	07-01-18 to 06-30-21
President of the School Board	Thomas Schwenk Jennifer Smith	07-01-18 to 12-31-20 01-01-21 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 ROCHESTER COMMUNITY SCHOOL
CORPORATION, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the Rochester Community School Corporation (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

April 14, 2020

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The School Corporation had not established an effective system of internal controls over financing sources and uses and financial close and reporting.

Financing Sources and Uses

Internal controls were not properly developed and implemented to ensure that all transfers between funds were properly approved by the School Board. Of the transfers tested, five of the fifteen were not approved by the School Board.

Financial Close and Reporting

The School Corporation failed to properly review the Form 9, the source of the financial statement, when prepared and submitted to the Indiana Department of Education. Although one employee prepared and entered the information and another employee reviewed and approved the information entered, the internal control was not effective and did not detect errors prior to submission.

In addition, the School Corporation had not established a process to evaluate the internal control system to identify and communicate corrective actions to improve controls.

Due to the lack of effective internal controls, the financial statement presented for audit included the following errors:

1. The 2015 Construction Bond fund overstated other financing sources and uses by \$77,100 and overstated disbursements by \$205,728 for the fiscal year 2018-2019.
2. The 2018 Construction Bond fund overstated beginning balance and understated receipts by \$2,431,869, and overstated other financing sources by \$89,124 for 2018-2019.
3. The Homeland Security Grt 2013-14 fund overstated receipts and disbursements by \$144,136 for 2019-2020.
4. The IDEA Part B #611 YR 17-18 fund overstated receipts by \$294,746 and disbursements by \$286,771 for 2018-2019, and overstated receipts by \$36,284 for 2019-2020.
5. The Sp Ed Part B 2018-2019 fund overstated other financing sources and disbursements by \$97,790 for 2019-2020.
6. The IDEA Part B 611 FY18 fund understated receipts by \$294,746 and disbursements by \$286,772 for the fiscal year 2018-2019, and overstated other financing uses by \$36,284 for 2019-2020.
7. The IDEA Part B 611 FY19 fund understated disbursements by \$97,790 for 2018-2019, and overstated disbursements by the same amount for 2019-2020.

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

8. Numerous other funds had errors that resulted in adjustments to the financial statement.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in the Financial Statement Audit 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 and monitoring 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. . . ."

"Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results. . . ."

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](#)."

CAPITAL ASSETS

Condition and Context

The Capital Asset Ledger (Ledger) was incomplete for the audit period. The Ledger was an inventory of all items that included purchase date, description, and an acquisition cost; however, no deletions were included in the Ledger.

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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 Corporations, Chapter 1)

PREPAID LUNCH STUDENT ACCOUNTS

Condition and Context

The ending balances for prepaid lunch student accounts did not agree with the financial statement. The detailed prepaid lunch student account balances were \$30,814 and \$23,098 at June 30, 2019 and 2020, respectively. The Prepaid Lunch fund balances on the financial statement were (\$39,922) and \$36,584 at June 30, 2019 and 2020, respectively.

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)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation failed to ensure that training was provided to all required personnel over internal control standards adopted, as required by Indiana Code 5-11-1-27(g). The School Corporation indicated that the training was not in the new employee training requirements and employees had not been trained.

The School Corporation certified on the Indiana Gateway for Government Units financial reporting system for fiscal year 2019-2020 that training had been provided to employees on the adopted internal control standards; however, employees had not been trained.

Criteria

Indiana 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."

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

ROCHESTER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2021, with Todd VanDerWeele, Treasurer; Jana Vance, Superintendent of Schools; and Jennifer Smith, President of the School Board.