

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
KNOX COMMUNITY SCHOOL CORPORATION
STARKE COUNTY, INDIANA
July 1, 2018 to June 30, 2020



FILED
04/27/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Bailey	07-01-18 to 01-09-19
	(Vacant)	01-10-19 to 02-03-19
	Rose Workman	02-04-19 to 02-27-19
	(Vacant)	02-28-19 to 03-06-19
Kasey Clark		03-07-19 to 06-30-21
Superintendent of Schools	Dr. William Reichhart	07-01-18 to 06-30-21
President of the School Board	Gary Dulin	07-01-18 to 12-31-18
	Kirk Bennett	01-01-19 to 12-31-20
	Gary Dulin	01-01-21 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KNOX COMMUNITY SCHOOL
CORPORATION, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Knox 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

April 15, 2021

KNOX COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

FINANCIAL REPORTING

Condition and Context

The School Corporation had not established an effective system of internal controls over financial reporting. The Form 9 Financial Reports, which were the basis for the financial statement, were prepared by one employee and reviewed and approved by another. Although the reports were indicated as being reviewed, the internal controls were not effective and failed to ensure the accuracy and completeness of the reports prior to submission.

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

- a. The School Corporation did not include a \$10,500,000 investment in the Construction Fund 2020-2021 cash and investment balance as of June 30, 2020.
- b. There were also numerous immaterial receipts and disbursements variances noted for the school year ended June 30, 2020, as follows:
 1. The Education fund disbursements were overstated by \$53,292.
 2. The Operations fund disbursements were overstated by \$5,839.
 3. The Title I 19-20 fund disbursements were overstated by \$34,201.
 4. The High Ability grant fund reported a negative \$31,984 receipt amount, which did not agree to the School Corporation's records. An audit adjustment was proposed and accepted by the School Corporation to correct the fund activity, which resulted in the removal of the fund from the financial statement.
 5. Other miscellaneous funds disbursements were overstated by \$306.

KNOX COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT
(Continued)

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 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](#)."

KNOX COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 15, 2021 with Dr. William Reichhart, Superintendent of Schools; Gary Dulin, President of the School Board; and Kasey Clark, Treasurer.

The contents of this report were discussed on April 15, 2021 with Dawn Bailey, former Treasurer, via telephone.