

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CENTRAL NOBLE COMMUNITY
SCHOOL CORPORATION
NOBLE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
06/24/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Miranda R. Wilkins (Vacant) Tyler C. Osenbaugh	07-01-18 to 01-24-20 01-25-20 to 02-16-20 02-17-20 to 06-30-21
Superintendent of Schools	Troy A. Gaff	07-01-18 to 06-30-21
President of the School Board	Rodney P. Stayner Eric J. Custer	07-01-18 to 12-31-18 01-01-19 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CENTRAL NOBLE COMMUNITY
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the Central Noble 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

June 10, 2021

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B52682.

Condition and Context

The Treasurer of the School Corporation performed the bank reconciliations and the Corporation Secretary reviewed them in a timely manner. After the monthly reconciliations were complete, the Treasurer would improperly backdate transactions to match when they were earned; thus, rendering the bank reconciliations inaccurate. The reconciled bank balance exceeded the ledger balance by \$6,841 at June 30, 2019, and the reconciled bank balance exceeded the ledger balance by \$19,500 at June 30, 2020.

The June 30, 2020 total deposits in transit amount was \$1,267, and they had not cleared the bank as of the date of this report.

The School Corporation had stale dated outstanding checks over two years old as of June 30, 2020, totaling \$17,302.

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or . . .

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES

A similar comment appeared in prior Report B52682.

Condition and Context

The School Corporation had electronically submitted the required Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets into the Indiana Gateway for Government Units financial reporting system for fiscal year 2019-2020. However, these schedules were not correct and did not reflect the financial activity of the School Corporation. The School Corporation incorrectly reported that it had payables or receivables, but could not substantiate the amounts. The Schedule of Leases and Debt did not accurately reflect the amortization schedules. The Schedule of Capital Assets was overstated by \$6,786 based on supporting documentation provided for audit.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

NEGATIVE DISBURSEMENTS

A similar comment appeared in prior Report B52682.

Condition and Context

The Payroll Clearing fund receipts and disbursements were understated. It was determined that when the School Corporation changed accounting software in November 2017, the provider changed the function of the receipts in the Payroll Clearing fund to become negative disbursements. This caused items to be zeroed out instead of recorded, and caused receipts and disbursements to be reduced below actual activity. Audit adjustments were proposed, accepted by the School Corporation, and made to the Payroll Clearing fund to increase receipts and disbursements by \$1,793,951 and \$1,878,337 for fiscal years 2018-2019 and 2019-2020, respectively.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

A similar comment appeared in prior Reports B49487 and B52682.

Condition and Context

The financial statement presented in the Financial Statement Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2019 and 2020:

Fund	Amount Overdrawn June 30, 2019	Amount Overdrawn June 30, 2020
School Lunch	\$ -	\$ (15,019)
Payroll Clearing	(3,871)	(6,305)
In and Out Clearing	-	(70,206)
Prepaid School Lunch Accounts	(1,731)	-

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 B49487 and B52682.

Condition and Context

The School Corporation was not reconciling the balance of the Prepaid School Lunch Accounts fund with the total of the individual students' meal accounts. The total of the students' meal accounts was \$530 less than the Prepaid School Lunch Accounts fund balance as of June 30, 2020.

CENTRAL NOBLE 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 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 the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

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)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2021, with Tyler C. Osenbaugh, Treasurer; Troy A. Gaff, Superintendent of Schools; and Tyler Schuller, School Board member.