

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
PULASKI COUNTY, INDIANA
July 1, 2019 to June 30, 2021



FILED
05/18/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Capital Assets.....	4
Financial Transactions and Reporting	4-5
Prepaid School Meal Accounts.....	5-6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela Anspach (Vacant) Stefanie Grandstaff	07-01-19 to 11-01-21 11-02-21 to 11-07-21 11-08-21 to 06-30-22
Superintendent of Schools	Dr. Gilbert Crimmins (interim) Dara Chezem	07-01-19 to 12-31-19 01-01-20 to 06-30-22
President of the School Board	Deke DeMarco Tim Rausch	07-01-19 to 12-31-20 01-01-21 to 06-30-22



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 EASTERN PULASKI COMMUNITY
SCHOOL CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Eastern Pulaski Community School Corporation (School Corporation), for the period from July 1, 2019 to June 30, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 11, 2022

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

A complete detailed listing of all capital assets owned by the School Corporation was not presented for audit. There was no evidence of a physical inventory being taken within the last two years.

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)

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. The School Corporation had not established a system of internal control or separated incompatible activities related to other financing sources and uses, and financial close and reporting.

Other Financing Sources and Uses

The School Corporation had not properly designed or implemented adequate internal controls to ensure that other financing sources and uses were properly recorded. An oversight or review process had not been established to ensure School Board approved transfers were posted in a timely manner. Due to the lack of effective internal controls, transfers to close out the General, Transportation Operations, and School Bus Replacement funds, totaling \$3,262,355, were approved via resolution at the August 2, 2018 School Board meeting to be effective January 1, 2019, but the transfers were not posted to the ledger until July 1, 2019.

Financial Close and Reporting

The School Corporation had not properly designed or implemented adequate internal controls to ensure that the financial statement was accurate and complete and agreed with the accounting records. There was no evidence of an adequate oversight or review process to detect and correct errors.

Due to the lack of effective internal controls, the financial statement contained the following errors:

- Beginning cash and investments balances were overstated in total by \$2,099,561.
- Operations fund receipts and disbursements were overstated by \$5,321,203 and \$1,142,531, respectively, for fiscal year 2019-2020.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- Payroll Clearing fund receipts and disbursements were understated by \$3,990,160 and \$3,998,963, respectively, for 2019-2020; and understated by \$3,047,594 and \$2,893,549, respectively, for 2020-2021.
- Several additional funds had individually immaterial errors that resulted in aggregate mis-statements of receipts and disbursements of \$1,185,265 and \$1,256,407, respectively, for 2019-2020; and \$16,609 and \$161,940, respectively, for 2020-2021.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

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 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](#)."

PREPAID SCHOOL MEAL ACCOUNTS

The same comment appeared in prior Report B54607, and a similar comment appeared in prior Reports B47014 and B52319, entitled *PREPAID LUNCH ACCOUNT RECONCILIATIONS*.

Condition and Context

Monthly reconciliations of all the students' individual meal account balances to the Prepaid School Lunch fund were not performed. A report of the students' individual meal account balances as of June 30, 2020 and 2021, could not be provided for audit.

EASTERN PULASKI 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 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)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2022, with Stefanie Grandstaff, Treasurer; Dara Chezem, Superintendent of Schools; Tim Rausch, President of the School Board; Aaron Campbell, School Board member; Beth Ruff, School Board member; and Jimmy Terry, School Board member.