

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST CLARK COMMUNITY SCHOOLS

CLARK COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
06/22/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting	4-5
Internal Controls over Extracurricular Account - Silver Creek High School	5-6
Monthly and Annual Uploads.....	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Thomas R. Brillhart	06-01-19 to 06-30-20
Superintendent of Schools	Clemencia Perez-Lloyd (interim) Clemencia Perez-Lloyd	07-01-19 to 09-30-19 10-01-19 to 06-30-20
President of the School Board	Douglas Coffman Myra Wright Powell	01-01-19 to 12-31-19 01-01-20 to 06-30-20



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 WEST CLARK COMMUNITY SCHOOLS, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the West Clark Community Schools (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 25, 2022

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

Financial Transactions

1. The School Corporation had not established an effective system of internal control over bank reconcilements.

The following items were noted during the audit of the bank reconcilements:

- Reconcilements were not always performed timely.
 - Items listed on the reconcilement were not always individually identified.
 - Reconciling items were not always investigated and resolved timely.
 - When bank accounts were closed, outstanding items were not cleared and remained outstanding.
2. The School Corporation had not established internal controls over transfers for fiscal year 2020-2021. The lack of an effective internal control allowed a transfer to be incorrectly recorded in the ledger.
 3. The School Corporation ceased operations June 30, 2020, and two School Corporations (Silver Creek School Corporation and Borden-Henryville School Corporation) were created to serve the district. On June 23, 2021, final allocations of cash assets were disbursed to the new corporations.

During the final allocation determination, the clearing funds were combined and collectively netted to a zero cash balance. However, due to overdrawn fund cash balances within multiple clearing funds, \$28,252 and \$42,268 of prepaid student meal balances from the Prepaid Food clearing fund should have been disbursed to the Borden-Henryville School Corporation and the Silver Creek School Corporation, respectively. Also, \$652 from Textbook Rental online payments from the PPD Textbooks clearing funds should have been disbursed to the Borden-Henryville School Corporation.

Financial Close and Reporting

The School Corporation had not established internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's financial statement. There were no documented internal controls in place to prevent or detect and correct errors in the financial information prior to submission.

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 5-13-6-1(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."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

INTERNAL CONTROLS OVER EXTRACURRICULAR ACCOUNT - SILVER CREEK HIGH SCHOOL

The same comment also appeared in prior Reports B51824 and B54513.

Condition and Context

There were deficiencies in the internal control system for the Silver Creek High School Extracurricular Account (ECA) related to the handling of textbook rental collections. The ECA had not separated incompatible activities related to receipts. The Silver Creek High School ECA Treasurer was collecting, recording, and depositing all textbook rental funds.

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

ANNUAL AND MONTHLY UPLOADS

Condition and Context

The School Corporation did not upload any of the files required for the monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system for fiscal years 2019-2020 or 2020-2021.

Criteria

Counties and school corporations will upload January 2019 files beginning in March 2019.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund

. . . Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15.

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance
- Annual employee earnings record
- Annual vendor history report

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

(State Examiner Directive 2018-1)

Amended State Examiner Directive 2018-1 states:

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted: . . .

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year . . .
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Additionally, for Schools only: School Lunch Prepaid Account Balance Report as of June 30 Approved Salary Schedule for Noncertified Employees and Amendments. . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

WEST CLARK COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2022, with Todd Balmer, Silver Creek School Corporation Treasurer; Becky Arnold, Silver Creek School Corporation Deputy Treasurer; Dr. Chad Briggs, Silver Creek School Corporation Superintendent of Schools; Chris Rountree, Silver Creek School Corporation President of the School Board; Rachel Bright, Silver Creek School Corporation School Board member; Dr. Albert Eckert, Silver Creek High School Principal; Debbie Yeker, Silver Creek High School Extracurricular Treasurer; Alison Vanover, former Silver Creek High School Extracurricular Treasurer; Patty Kelly, Borden-Henryville School Corporation Treasurer; and Myra Wright Powell, Borden-Henryville School Corporation President of the School Board.