

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SALEM COMMUNITY SCHOOLS

WASHINGTON 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:	
Fund Sources and Uses	4
Internal Controls over Financial Transactions and Reporting	4-5
Training on Internal Control Standards	5-6
Certification on Internal Control Standards	6
Timely Recording.....	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rachel Weedin Chrissie Albertson	07-01-19 to 03-03-21 03-04-21 to 06-30-22
Superintendent of Schools	Kim A. Thurston, EdD (interim) Jon Acton Kim A. Thurston, EdD (interim)	07-01-19 to 02-29-20 03-01-20 to 02-14-22 02-15-22 to 06-30-22
President of the School Board	Rebecca L. White Rodney Brough	07-01-19 to 12-31-19 01-01-20 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 SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the Salem 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 17, 2022

SALEM COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

FUND SOURCES AND USES

Condition and Context

A \$770,902 reimbursement received from the Salem Middle School Building Corporation for preliminary costs incurred for the Safe Room Construction project was improperly classified as debt proceeds rather than other receipts.

Criteria

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)

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](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Reports B51866 and B54622, entitled *INTERNAL CONTROLS*, and *FINDING 2017-001*, respectively.

Condition and Context

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

Financial Transactions - Vendor Disbursements

Internal controls over vendor disbursements were not properly implemented. Vendor disbursements were reviewed and approved by the Treasurer and Assistant Superintendent of Schools prior to payment. However, it was not possible to verify that the review and approval occurred due to the approval signatures of the Treasurer and Assistant Superintendent of Schools being preprinted on the Accounts Payable Voucher forms. Additionally, there was no documentation presented for audit that showed how the School Corporation determined all vouchers and disbursements were included on the Accounts Payable Voucher Register for approval by the fiscal officer and the School Board.

Financial Close and Reporting

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. Due to the lack of internal controls, the School Corporation's financial statement contained the following errors:

SALEM COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

1. The July 1, 2019 cash and investments balance of the Curricular Materials fund was understated by \$40,139.
2. The SNP Clearing fund receipts and disbursements were understated by \$1,165,483 and \$1,165,480, respectively, for fiscal year 2020-2021.
3. Numerous other funds had immaterial errors in the amounts reported for the beginning cash and investments balances, receipts, disbursements, and other financing sources and uses.

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](#)."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Of the new employees that were required to receive training on internal control standards, 4 of 57 did not receive the training.

SALEM COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation incorrectly certified on the Indiana Gateway for Government Units financial reporting system that training on internal control standards was received by all applicable personnel for fiscal year 2020-2021; however, it was determined that not all applicable personnel had received this training.

Context

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](#)."

TIMELY RECORDING

A similar comment also appeared in prior Reports B51866 and B54622, entitled *EXTRACURRICULAR SCHOOL LUNCH FUNDS INTERNAL CONTROLS*, and *FINDING 2017-001*, respectively.

Condition and Context

Online payments made to student lunch accounts were not being recorded to the financial ledger at the actual time of the transaction when the monies are applied to the student accounts. Instead, the monies are receipted to the financial ledger when the monies are deposited by the processing company into the bank account, which can be several days later. It was observed that these online payments were recorded anywhere from two to ten days after they were actually received.

Criteria

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)

SALEM COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2022, with Chrissie Albertson, Treasurer; Kim A. Thurston, EdD, Superintendent of Schools (interim); Rodney Brough, President of the School Board; Tracy Stone, Deputy Treasurer/Payroll Clerk; Karen Libka, Food Service Director; Brent Minton, Director of Student Services; and Becky Humphry, School Board member.