

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA
July 1, 2019 to June 30, 2021



FILED
06/23/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rachel Dutoi	07-01-19 to 06-30-22
Superintendent of Schools	Dr. Theodore Stevens	07-01-19 to 06-30-22
President of the School Board	Dominic Notaro Geraldine Grott Steven Koontz Deborah Allen	07-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 06-30-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the South Central 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 18, 2022

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

A similar comment also appeared in the prior Report B54715, entitled *INTERNAL CONTROLS*.

Condition and Context

The School Corporation had a review process in place over financial reporting; however, it was not implemented properly to be effective to ensure the accuracy of the financial statement. During fiscal year 2020-2021, no supporting reports or ledgers were provided to the reviewer to ensure the accuracy of the financial information reported for 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. . . ."

OVERDRAWN CASH BALANCES

The same comment appeared in prior Reports B50033 and B54715.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2020 and 2021.

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

Fund	Amount Overdrawn as of June 30,	
	2020	2021
Secured Schools Safety Grant	\$ 9,134	\$ 8,784
Digital Learning Grant/Stem	-	15,891
Digital Learning/Community Grant	-	7,453
PBL Program Training Grant	-	1,000
Federal Stimulus - 18003 Educ. Stab Reli	860	26,422
Payroll Withholdings/Federal Tax Clearin	16,466	16,466
Payroll Withholdings/Soc Security Cleari	12,426	12,481
Payroll Withholdings/Group Insurance	6,211	5,823
Payroll Withholdings/Annuities	3,090	2,890
Payroll Withholdings/Medical Exp*Section	4,654	4,654
Payroll Withholdings/Service Fees Urm*Cd	336	-
Payroll Withholding/Vision Insurance	-	2,871
Payroll Withholding/Dental Insurance	-	218
Fringe Benefit Clearing Account	3,017	31

The various Payroll Withholdings clearing funds, by nature, should not have a negative balance. The School Corporation needs to determine the cause of the negative balances and establish internal controls and a process for reconciling the clearing funds.

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)

CURRICULAR MATERIALS RENTAL RATE

The same comment appeared in prior Report B54715.

Condition and Context

The annual rental rate charged for textbooks exceeded 25 percent of the retail price of the books for 7 of the 10 textbook rental rates tested.

Criteria

Indiana Code 20-26-12-2(a) states:

"A governing body may purchase from a contracting publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials."

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

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Dr. Theodore Stevens
Mr. Ben Anderson
Mr. Nicholas Kimmel

Superintendent
High School Principal
Elementary Principal

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OFFICIAL RESPONSE

Date: May 26, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Audit Results for the 7/1/2019-6/30/2021 Period

The South Central Community School Corporation acknowledges the findings that were stated in relation to the recent audit of the corporation's Financial Statement and Annual Financial Report. The corporation has made note of the modifications in the corporation processes that need to be made to ensure more documented and transparent records are kept for review for anyone upon request. Corrective Action Plans will be put in place for each of the items mentioned in the audit exit conference. Some have already been implemented. The corporation strives to have to most complete financial records possible so there is no question all funding is spent in the allowable manner.



Rachel Dutoi
Business Manager/Corporation Treasurer

Mission Statement

South Central Community School Corporation believes that all students will succeed to the best of their abilities.

School, family, and community will collaborate to prepare students for the 21st century by providing opportunities for students to develop intellectual, social, emotional, physical, and life-long decision making skills for higher levels of excellence.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2022, with Dr. Theodore Stevens, Superintendent of Schools; Rachel Dutoi, Treasurer; Deborah Allen, President of the School Board; Jacob Wade, School Board member; Geraldine Grott, School Board member; and Karen Hagenow, Food Service Director.