

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI 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 | Tina Bonifant Jackquan Gray | 07-01-19 to 05-26-20 05-27-20 to 06-30-22 |
| Superintendent of Schools | Dr. James Callane | 07-01-19 to 06-30-22 |
| President of the School Board | Robert Daine | 07-01-19 to 06-30-22 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Maconaquah 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

June 7, 2022

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The School Corporation had not established effective internal controls over the Annual Financial Report (AFR) information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's financial statement.

The following errors were identified on the financial statement for fiscal year ending June 30, 2021:

1. The School Corporation erroneously reported the Bank Transfers fund on the AFR. The fund included bank transfers as receipts and disbursements, which resulted in an over-statement of both receipts and disbursements by \$8,208,905.
2. Five additional funds had individually immaterial errors that resulted in combined misstatements of receipts and disbursements of \$97,012 and \$107,344, respectively.

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](#)."

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not provide proper documentation of responsibility during fiscal years 2019-2020 and 2020-2021. The building level officials (Principal, Assistant Principal, etc.) did not certify the Average Daily Membership (ADM) in the form of a written certification to the School Corporation Central Office. The building level officials are responsible for reporting ADM to the School Corporation Central Office; therefore, the ADM reported to the School Corporation Central Office was not properly certified prior to the Superintendent of Schools verifying the ADM count and submitting to the Indiana Department of Education.

In addition, the School Corporation was unable to provide birth certificates as proof of age for 4 of the 36 students tested.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation's Prepaid Food fund, Fund 8400, was not in agreement with subsidiary records of the student accounts for fiscal years 2019-2020 and 2020-2021. Subsidiary records of the student accounts reflected a balance of \$19,624 and \$14,190 at June 30, 2020, and June 30, 2021, respectively. The Prepaid Food fund balance at June 30, 2020, and June 30, 2021, was \$63,123 and (\$12,452), respectively.

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the School Corporation was not performing monthly reconciliements of the Prepaid Food fund with the total of the individual meal accounts as required.

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)

CAPITAL ASSETS

Condition and Context

The School Corporation maintained a capital asset inventory listing; however, it was not updated and maintained accurately. The School Corporation did not take a physical inventory every two years as required resulting in items remaining on the inventory list after they have been disposed of either by trading, selling, or disposing. We selected ten items to physically observe and of those ten, three were unavailable for inspection due to prior disposal. We selected eight items that either should have been added and noted three of those were not properly added to the inventory.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Treasurer (Fiscal Officer) incorrectly certified each year that internal control training had been received by all required officials and employees. A sample of 12 personnel hired during the audit period was selected for testing and 4 had not received the required training.

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Board adopted internal control standards as required by Indiana Code 5-11-1-27(g), but did not ensure appropriate personnel received the training.

Of the 12 new employees sampled, 4 should have received the training and did not.

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."

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2022, with Jackquan Gray, Treasurer; Dr. James Callane, Superintendent of Schools; Robert Daine, President of the School Board; Kelly McPike, Director of Student Services; and Angie Gingerich, Deputy Treasurer.