

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2019 to June 30, 2021



FILED
06/28/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bryce Welsh Deborah M. Pavey Melissa Leap	07-01-19 to 08-31-19 09-01-19 to 06-30-21 07-01-21 to 06-30-22
Superintendent of Schools	Matt Vance	07-01-19 to 06-30-22
President of the School Board	Michael Beard Doug Marlow Tammy Jackman	01-01-19 to 12-31-19 01-01-20 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 RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

This report is supplemental to our audit report of the Rush County 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 27, 2022

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP

The same comment also appeared in prior Report B54448.

Condition and Context

Written certifications of Average Daily Membership (ADM) by building level officials were not provided for audit.

Criteria

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

A similar comment also appeared in prior Report B54448, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Condition and Context

The School Corporation began accounting for prepaid meals in Fund 8400 during the audit period; however, the reported balance of the Prepaid School Lunch Accounts fund did not equal the total of the individual student meal accounts balance, nor was a monthly reconciliation performed on the account. The total ending balance of individual meal accounts was \$53,909 and \$133,597 less than the Prepaid School Lunch Accounts fund balance in the financial statement at June 30, 2020, and June 30, 2021, respectively.

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)

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54448, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The School Corporation did not have a proper system of internal controls related to cash and investments and financial close and reporting.

Cash and Investments

The School Corporation's internal controls over cash and investments were not properly implemented. The Treasurer performed the monthly bank reconciliations, which included the preparation and completion of a bank statement check list. However, there was no documentation of another employee reviewing the reconciliations to ensure accuracy and completeness.

Financial Close and Reporting

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR). The supporting documentation for the AFR was prepared by the Treasurer and reviewed and approved by the School Board members. However, the internal control was not effective in preventing, or detecting and correcting, errors on the financial statement for fiscal year 2019-2020.

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. . . ."

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation's financial statement for the year ended June 30, 2020, was based on information submitted on the Indiana Department of Education's Form 9. Discrepancies were identified between the Form 9 and the School Corporation's fund ledger. The variances were determined to be caused by recording errors identified on the fund ledger. The errors were corrected on the Form 9 submission; however, no correcting entries were made on the fund ledger. The financial statement contained the following errors for the year ended June 30, 2020, when compared to the fund ledger:

1. Education fund receipts were understated by \$20,436, disbursements were overstated by \$546,922, and other financing sources and uses were understated by \$396,219.
2. Operations fund disbursements were understated by \$546,920, and other financing sources and uses were understated by \$417,673.
3. The 611 Part B 2016-2017 fund other financing sources and uses were overstated by \$153,387.
4. The Special Ed 611 Part B 2018-19 fund disbursements were understated by \$80,992, and other financing sources and uses were overstated by \$122,795.
5. The Part B 611 19-20 fund disbursements were understated by \$355,905.
6. Numerous other funds had errors that resulted in adjustments to the financial statement.

Criteria

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](#)."

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

A similar comment appeared in a Management Letter addressed to the Treasurer for the audit period ending June 30, 2019.

Condition and Context

The financial statement contained the following funds with deficits in cash:

Fund	Amount Overdrawn 06-30-20	Amount Overdrawn 06-30-21
Lilly Grant	\$ (1,640)	\$ (1,640)
Career And Technical Performance Grant	(4,889)	(4,889)
LCC 2019-2020	(22,461)	(22,461)
Title I-14-15	(68,675)	(68,675)
Title I-15-16	(6,695)	(6,695)
Title I-16-17	(78)	(78)
Title I-18-19	(76,836)	(76,836)
Special Education Improvement	(1,835)	(1,835)
611 Part B 2016-2017	(153,387)	(153,387)
Special Ed 611 Part B 2017-18	(41,892)	(41,892)
Special Ed 611 Part B 2018-19	(203,787)	(205,433)
FY 2020 Part B 611 19-20	(355,905)	(483,930)
Preschool Handicap-19-20	(44,887)	(63,731)
Title II 2013-15	(10,170)	(10,170)
Title II 2014-16	(8,401)	(8,401)
Title II Part A FY17	(97,654)	(97,654)
Payroll Withholdings- Social Security	(33)	(33)
Payroll Withholdings-Annuities	(3,578)	(3,578)
Payroll Withholdings-Garnishee	(40)	(40)
Other Clearing-Health Saving Account	(10)	(10)

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Condition and Context

The School Corporation did not file for reimbursements from the Indiana Department of Education for the Special Education - Grants to States and Special Education Pre-school Grants in fiscal years 2019-2020 or 2020-2021. The failure to file these reimbursements prior to September 17, 2021, resulted in combined negative cash balances of \$801,693 as of June 30, 2020, and \$1,399,276 as of June 30, 2021, for the Special Education Cluster (IDEA) grant funds.

RUSH COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the School Corporation commingled in one fund the financial activity and balances of 611 Special Education Grants to States and the 619 Special Education Preschool Grants activity during 2016-2017, 2017-2018, and 2018-2019. Those balance remained commingled in the fund ledger during the audit period.

Criteria

Units are required to comply with all the 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)

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)

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RUSH COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2022, with Melissa Leap, Treasurer; Matt Vance, Superintendent of Schools; and Tammy Jackman, President of the School Board.