

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HAMILTON HEIGHTS SCHOOL CORPORATION

HAMILTON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED

02/16/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Caryn Provence	07-01-20 to 06-30-23
Superintendent of Schools	Derek Arrowood	07-01-20 to 06-30-23
President of the School Board	Kevin Cavanaugh Julie Davis Arnett Cooper	07-01-20 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE HAMILTON HEIGHTS SCHOOL
CORPORATION, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Hamilton Heights School Corporation (School Corporation), for the period from July 1, 2020 to June 30, 2022. 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

February 2, 2023

HAMILTON HEIGHTS SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS - TRANSFERS

Condition and Context

The School Corporation recorded disbursements between the 8400 Café Pre-Pay fund and the 800 Cafeteria fund as 60100 (transfers) instead of 31900 Other Food Services on the Annual Financial Report (AFR).

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)

ANNUAL FINANCIAL REPORT

Condition and Context

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

The School Corporation failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit included errors. The Payroll Clearing fund was not reported on the financial statement, which understated the beginning cash and investments balance by \$31; receipts by \$3,945,145 and \$4,081,822; and disbursements by \$3,945,176 and \$4,081,822, respectively, for the school years ended June 30, 2021 and 2022.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in the Financial Statement Audit Report.

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:

HAMILTON HEIGHTS SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

"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](#)."

SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT

Condition and Context

The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis were incorrect as the Payroll Clearing fund activity was omitted from the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system. The beginning cash and investments balance was understated by \$31; receipts were understated by \$3,945,145 and \$4,081,822; and disbursements were understated by \$3,945,176 and \$4,081,822, respectively, for the school years ended June 30, 2021 and 2022.

In addition, on the Schedule of Leases and Debt, the "Annual Lease Payment" amount was overstated by \$2,577,500 and the "Principal Due Within One Year" was overstated by \$440,000.

Also, the amount reported for Buildings on the Schedule of Capital Assets was overstated by \$4,180,229.

Adjustments to the Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets were proposed, accepted by the School Corporation, and made to the schedules.

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](#)."

HAMILTON HEIGHTS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 2, 2023, with Caryn Provence, Treasurer; Kristin McCarty, Business Manager; Derek Arrowood, Superintendent of Schools; Gretchen Pennington, Vice President of the School Board; and Arnett Cooper, President of the School Board.