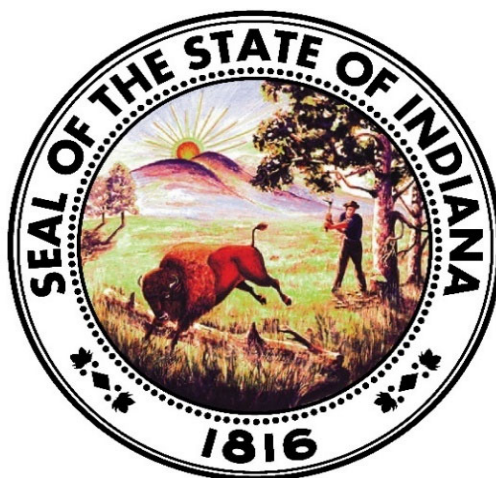


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
CANNELTON CITY SCHOOL CORPORATION
PERRY 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	Melissa Embry	07-01-20 to 06-30-23
Superintendent of Schools	Alva L. Sibbitt, Jr.	07-01-20 to 06-30-23
President of the School Board	William Garrett Bruce Meyers (Vacant) John Young	07-01-20 to 12-31-20 01-01-21 to 05-25-22 05-26-22 to 06-14-22 06-15-22 to 06-30-23



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 CANNELTON CITY SCHOOL
CORPORATION, PERRY COUNTY, INDIANA

This report is supplemental to our audit report of the Cannelton City 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 8, 2023

CANNELTON CITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) for fiscal year 2020-2021 was submitted 11 days late on September 9, 2021, and the AFR for 2021-2022 was submitted 9 days late on September 7, 2022.

The AFRs submitted during the audit period contained several errors as follows:

1. The July 1, 2020 beginning cash balance of the McKinney Vento fund was overstated by \$9,910.
2. The 2021-2022 McKinney Vento fund receipts and disbursements totaling \$4,250 each were omitted.
3. The 2021-2022 ESSER III fund receipts and disbursements totaling \$99,497 each were omitted.
4. The 2020-2021 Operations fund disbursements of \$16,623 were omitted.
5. The 2021-2022 Early Literacy Grant fund disbursements of \$108 was reported in the Early Care Grant fund.
6. The Payroll clearing funds receipts totaling \$408,215 and \$354,869, for 2020-2021 and 2021-2022, respectively, were omitted.
7. The Payroll clearing funds disbursements totaling \$344,578 and \$326,304, for 2020-2021 and 2021-2022, respectively, were omitted.

Audit adjustments were proposed, accepted by the School Corporation, and made 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](#)."

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Reports B31777, B37359, B48282, B52481, and B59184, entitled *OVERDRAWN CASH BALANCES*; and B40712, entitled *OVERDRAWN FUND BALANCES*.

Condition and Context

The financial statement presented in the Financial Statement Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30:

CANNELTON CITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn as of June 30,	
	2021	2022
Construction	\$ -	\$ 10,400
School Lunch Fund	38,680	68,907
Textbook Rental Fund	31,818	18,980
Early Care Grant	770	878
Secured Schools Safety	-	16,885
Early Literacy Grant	178	-
Performance Based Award	-	106
Project Lead the Way	-	2,813
Title I FY 2014	495	495
Title I FY 2015	28,051	28,051
Title I FY 2016	8,959	8,959
Title I FY 2017	11,962	11,962
Title I FY 2018	14,505	14,505
Title I FY 2019	59,464	62,950
Title I FY 2021	11,641	10,800
Title I School Improvement	7,677	-
McKinney Vento	1,409	1,386
Title IV FY 2020	110	110
Title IV FY 2021	9,415	9,415
Title IV FY 2022	-	4,299
Small & Rural 19-20	312	312
Improving Teacher Quality FY17	863	863
Title II A FY18	28	28
Title II A	24,037	24,037
ESSER III	94,330	-
ESSER II	4,540	26,414
GEER	3,006	-
Cares Grant	72,982	-
Payroll American Fidelity	4,904	1,620
Payroll AFLAC	7,978	7,979
Payroll Lincoln Fin Grp	568	1,832
Payroll American General	240	240
Payroll Liberty National	217	217
Payroll Anthem	5,786	6,116
Humana Dental	289	885
Humana Vision	33	379

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)

CANNELTON CITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not have enrollment documents for several students selected for sampling in the test of Average Daily Membership (ADM). Of 68 students selected for testing; 10 did not have any supporting documentation to document they were properly enrolled and attending, 6 students did not have documentation for the age requirements, and 28 did not have any documentation for the Indiana residency requirement. Due to this, we were unable to determine if the students were properly enrolled.

There were deficiencies noted in internal controls over reporting of ADM. The ADM information is compiled and input by the Administration Secretary and reviewed and certified by the Superintendent of Schools and Treasurer. However, the internal controls were not deemed effective because they verify that the students included in the count had all the necessary supporting documentation.

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)

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. . . .

CANNELTON CITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The School Corporation did not comply with the State Examiner Directive and failed to upload any of the annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for fiscal years 2021 and 2022. They also failed to upload any of the monthly files on the Gateway financial reporting system for the months of August 2021 through June 2022.

Criteria

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year . . .
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Additionally, for Schools only: School Lunch Prepaid Account Balance Report as of June 30 Approved Salary Schedule for Noncertified Employees and Amendments . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)
- . . .

(Amended State Examiner Directive 2018-1)

Units are required to comply with all 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)

CANNELTON CITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The School Corporation has adopted a capital asset policy; however, a detailed listing of capital assets including acquisition value was not presented for audit and an inventory was not conducted at least every two years as required.

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)

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Internal controls were either not in place or not effective for the following significant audit areas: cash and investments, receipts, financial close and reporting, and preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

The School Corporation did have adequate internal controls over cash and investments. Although the bank reconciliations were completed by the Treasurer and the bank statement was reviewed by the Superintendent of Schools, there was no evidence of the review presented for audit.

Receipts

The School Corporation had not separated incompatible activities related to receipts. The Treasurer collected general School Corporation receipts, made deposits into the bank account, and recorded the receipts in the financial records. There was no oversight or monitoring of receipts by another responsible person.

Financial Close and Reporting

The School Corporation did not have internal controls in place over financial close and reporting. The Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and financial statement. There were no documented internal controls in place to prevent, or detect and correct, errors in the financial information prior to submission.

CANNELTON CITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Preparation of Schedule of Expenditures of Federal Awards

The School Corporation has not established internal controls over the management of grant files, or the federal award information entered into Gateway, which was the source of the School Corporation's SEFA. The Treasurer prepared and entered the federal award information into Gateway with no oversight, review, or approval process in place to prevent, or detect and correct, errors on the SEFA.

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:

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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. . . ."

CANNELTON CITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2023, with Melissa Embry, Treasurer; Alva L. Sibbitt, Jr., Superintendent of Schools; and John Young, President of the School Board.