

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MOUNT VERNON COMMUNITY SCHOOL CORPORATION

HANCOCK COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
02/24/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Greg Elkins	07-01-20 to 06-30-23
Treasurer	Lisa Heitman	07-01-20 to 06-30-23
Superintendent of Schools	Jack Parker	07-01-20 to 06-30-23
President of the School Board	Kellie Freeman Chad Gray	07-01-20 to 12-31-22 01-01-23 to 06-30-23



STATE OF INDIANA
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TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Mount Vernon Community 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 9, 2023

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B56995.

Condition and Context

The subsidiary record of individual student prepaid meal account balances did not agree to the June 30, 2021 or June 30, 2022 fund balances of the Student Prepaid Meals fund (Prepaid School Lunch Account).

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)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B51295, B52884, and B56995.

Condition and Context

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at June 30, 2021 and 2022:

Fund	Amount Overdrawn June 30, 2021	Amount Overdrawn June 30, 2022
Food Service	\$ (906,625)	\$ (288,754)
Self-Insurance	(844,651)	-
Repair and Replacement	(51,667)	-
Mvef Director	(46,324)	(16,599)
Common School Technology Loan	(165,538)	-

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation did not have an effective internal control system in place to prevent, or detect and correct, errors in its Annual Financial Report (AFR). Material variances were identified within the financial statement and Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses) and Cash and Investment Balances of the AFR.

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](#)."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2023, with Greg Elkins, Chief Financial Officer; Lisa Heitman, Treasurer; and Shannon Walls, Second Vice President of the School Board.