

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
JEFFERSON 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>
Treasurer	Laura M. Boldery	07-01-20 to 06-30-23
Superintendent of Schools	Jeffrey L. Bates	07-01-20 to 06-30-23
President of the School Board	Richard P. Stockdale	07-01-20 to 06-30-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED  
SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

This report is supplemental to our audit report of the Southwestern Jefferson County Consolidated 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/](http://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 13, 2023

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B56767, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established effective internal controls over the financial information that they entered into the Indiana Gateway for Government Units (Gateway) financial reporting system.

The Corporation Treasurer uploaded the School Corporation's financial information into Gateway; however, there was no documented control to ensure the amounts uploaded prior to submission were accurate and complete.

Additionally, the School Corporation had no process to identify or communicate corrective action to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal controls.

*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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**AVERAGE DAILY MEMBERSHIP**

Condition and Context

There were deficiencies noted in the internal controls over reporting of the Average Daily Membership (ADM). The ADM information is compiled and input by the Assistant Superintendent of Schools and reviewed and certified by the Superintendent of Schools and Treasurer; however, the internal controls were deemed not effective.

The building level officials (Principal, Assistant Principal, etc.) did not certify the ADM in the form of a written certification to the School Corporation Central Office (Central Office). The building level officials are responsible for reporting the ADM to the Central Office; therefore, the ADM reported to the Central Office was not properly certified prior to the Superintendent of Schools verifying the ADM count and submitting to the Indiana Department of Education.

Additionally, the School Corporation did not establish proper internal controls to ensure that students were enrolled correctly and were a resident of Indiana. The School Corporation didn't have an Enrollment Policy or a Residency Verification Policy in place for the audit period. As a result, the School Corporation was unable to provide proof of residency for 46 of the 62 brick and mortar students, and 8 of 14 virtual students that were tested. Due to this, we were unable to determine if the students were properly enrolled.

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. . . ."

Officials shall maintain records (enrollment card, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

Indiana Department of Education Memo date August 27, 2020, Verification of Residency for Membership, states in part:

" . . . Each school corporation's governing body or charter school board must annually adopt or readopt a policy that specifies documentation, not to exceed three items, required to verify Indiana residency. . . ."

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)

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

The information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's grant schedule, and supplemental schedule of leases and debt and schedule of capital assets was incorrect and did not agree with the School Corporation's records.

The School Corporation didn't have an updated capital assets listing, which resulted in the amount entered into Gateway being materially inaccurate.

The School Corporation failed to properly review the federal grant schedule submitted in Gateway. As a result, the following errors were noted:

1. The Title I Grants to Local Educational Agencies had errors totaling \$244,805.
2. Several additional grants had individually immaterial errors totaling \$128,419.
3. Other errors included incorrect program names, identifying numbers, incorrect pass-through entities, and incorrect federal grantor agencies.

Audit adjustments were proposed, accepted by the School Corporation, and made to the grant schedule.

The School Corporation failed to properly review the debt information prepared and submitted in Gateway. As a result, the following errors were noted in the Schedule of Leases and Debt:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

1. Two capital leases were not reported. Annual lease payments for the unreported leases totaled \$372,000.
2. Amounts reported for the Ending Principal Balance for three of the four notes and loans payable were incorrect. This resulted in a total understatement of \$105,208.
3. The amount reported for the Principal and Interest Due Within One Year was incorrect for each of the four notes and loans payable. This resulted in a total understatement of \$126,690.

Audit adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt.

*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](#)."

**CAPITAL ASSETS**

The same comment also appeared in prior Report B56767.

*Condition and Context*

The School Corporation had a detailed capital asset ledger; however, as of June 30, 2022, the ledger had not been updated to include all assets purchased during the audit period.

*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)

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2023, with Laura M. Boldery, Treasurer; Jeffrey L. Bates, Superintendent of Schools; John Jones, School Board member; Katie King, Food Service Director; Melissa May, Deputy Treasurer; and Penny J. Mahoney, Deputy Treasurer.