

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MANCHESTER COMMUNITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
02/28/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Overdrawn Cash Balances	4
Appropriations.....	4
Annual Financial Report	4-6
Supplemental Schedules in the Annual Financial Report	6
Certification on Internal Control Standards	6
Training on Internal Control Standards	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeremy A. Markham	07-01-20 to 06-30-21
	(Vacant)	07-01-21 to 10-03-21
	Tonia L. Immel	10-04-21 to 10-06-22
	(Vacant)	10-07-22 to 10-24-22
Superintendent of Schools	Darla R. Cain	10-25-22 to 06-30-23
	Dr. Teresa L. Gremaux	07-01-20 to 07-12-21
	(Vacant)	07-13-21 to 09-12-21
	Kyle F. Wieland	09-13-21 to 06-30-23
President of the School Board	Ruth A. Ayers	07-01-20 to 12-31-20
	David W. Terflinger	01-01-21 to 12-31-22
	Michael R. Hensley	01-01-23 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Manchester Community Schools (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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

February 15, 2023

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B56947.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances on June 30, 2021 and 2022, that were not attributed to timing of reimbursements.

Fund	Amount Overdrawn June 30, 2021	Amount Overdrawn June 30, 2022
Retirement/Severance Bond Debt Service	\$ 1,765	\$ 1,765
Curricular Materials Rental	-	101,360
Donations/Pepsi	-	184
Federal Tax	-	212
Certified Social Security	7,010	7,147
American Fidelity Disability	20,893	26,379
American Fidelity Life	4,357	1,394

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)

APPROPRIATIONS

Condition and Context

The records presented for audit indicated disbursements in the Operation fund exceeded the budgeted appropriations on December 31, 2020 and 2021, by \$1,092,457 and \$1,100,279, respectively.

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ANNUAL FINANCIAL REPORT

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting and preparation of the grant schedule.

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The School Corporation had not established internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (AFR) and the grant schedule. The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the AFR, including the grant schedule.

Due to the lack of internal controls, the AFR presented for audit included the following errors:

1. Beginning balances of 62 funds were reported incorrectly on July 1, 2021.
2. Prepaid School Lunch Accounts fund receipts and disbursements were incorrectly reported in the School Lunch fund.
3. The NASA fund was omitted from the AFR.
4. Receipts and disbursements of two other funds were omitted from the AFR.
5. The School Corporation did not complete the Investment Fund Statement on the AFR. An investment was held by the School Corporation on June 30, 2021; however, the amount was not reported on the Investment Fund Statement of the AFR.

Due to the lack of internal controls, the grant schedule presented for audit included the following errors:

1. Several grants had been omitted or had individually immaterial errors that resulted in misstatements of expenditures of \$250,844, in total.
2. Other errors included incorrect program names, pass-through entities and identifying numbers.

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

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. . . ."

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 THE ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation did not maintain documentation to support amounts reported in the Schedule of Capital Assets and the Schedule of Payables and Receivables as reported on the Indiana Gateway for Government Units financial reporting system.

The Schedule of Capital Assets and the Schedule of Payables and Receivables will not be reported in the Financial Statement Audit Report.

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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation incorrectly certified on the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system for 2020 and 2021 that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the School Corporation. However, during the audit, the School Corporation provided training certificates dated after the audit period.

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](#)."

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation did not have supporting documentation to confirm School Corporation employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the School Corporation, had received training over internal control standards that were developed or approved by the Indiana State Board of Accounts. Two out of five newly hired employees did not receive internal control training during the audit period. However, the training was completed for those two employees subsequent to the audit period. The other three employees received training during the audit period; however, it was not completed timely.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

MANCHESTER COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 15, 2023, with Kyle F. Wieland, Superintendent of Schools; Darla R. Cain, Treasurer; Michael R. Hensley, President of the School Board; Robert Bucher, School Board Vice President; Brian Ramer, School Board Secretary; and Adam Penrod, School Board member.