

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHERIDAN COMMUNITY SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/08/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Annual Financial Report - Supplemental Schedules	4-5
Capital Assets.....	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robin Popejoy	07-01-20 to 06-30-23
Superintendent of Schools	Mary Roberson Dr. David Mundy	07-01-20 to 06-30-22 07-01-22 to 06-30-23
President of the School Board	Todd Roberts John Hunt	07-01-20 to 12-31-22 01-01-23 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 SHERIDAN COMMUNITY SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Sheridan 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 21, 2023

SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to disbursements. The School Corporation had not properly designed or implemented internal controls to ensure that disbursements were properly recorded. There was no evidence of an oversight or review process.

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. . . ."

ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES

Condition and Context

The Supplemental Schedules in the Annual Financial Report (AFR), as reported on the Indiana Gateway for Government Units financial reporting system, contained material errors.

There were material differences in the Schedule of Expenditures of Federal Awards (SEFA), the Schedule of Leases and Debt, and the Schedule of Capital Assets reported in the AFR compared to supporting documentation provided by the School Corporation.

Schedule of Expenditures of Federal Awards

The School Corporation had not properly reported all federal grant information. The SEFA, commonly referred as the grant schedule in the AFR contained material errors. The Child Nutrition Cluster did not include commodities for the year ended June 30, 2022, which understated expenditures by \$59,411. The Title I Grants to Local Educational Agencies expenditures were understated by \$63,067 and \$59,767 for the years ended June 30, 2021 and 2022, respectively. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$57,820. Other errors included incorrect program names, pass-through entities, federal Assistance Listings Numbers, and identifying numbers.

SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Schedule of Leases and Debt

Leases with the Sheridan Community School Building Corporation were not properly classified as leases on the Schedule of Leases and Debt. This resulted in the overstatement of the debt information and an understatement of the lease information by \$2,951,500. In addition, the School Corporation failed to include a loan for a solar project with an "Ending Principal Balance" at June 30, 2022, of \$3,410,655 and "Principal and Interest Due Within One Year" of \$307,134.

Schedule of Capital Assets

The capital asset ledger used to compile the Schedule of Capital Assets was not properly maintained during the audit period. The schedule did not contain all material purchases or disposals for the audit period. The School Corporation requested the Schedule of Capital Assets not be included in the Financial Statement Audit Report due to it not being properly maintained for the audit period.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the Schedule of Leases and Debt to be included 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](#)."

CAPITAL ASSETS

Condition and Context

The School Corporation had not adopted a capital assets policy that included a dollar amount threshold during the audit period. A complete detailed listing of all capital assets owned, which reflected their acquisition value, was not being properly maintained for the audit period. In addition, the School Corporation had not conducted a complete physical inventory at least every two years.

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)

SHERIDAN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2023, with Dr. David Mundy, Superintendent of Schools; Robin Popejoy, Treasurer; and John Hunt, President of the School Board.