

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON CONSOLIDATED SCHOOLS

JEFFERSON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/08/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Danica Houze	07-01-20 to 06-30-23
Superintendent of Schools	Dr. Jeffrey T. Studebaker Daniel Noel (interim) Teresa Brown	07-01-20 to 03-31-22 04-01-22 to 07-13-22 07-14-22 to 06-30-23
President of the School Board	Rob Kring Jodi Yancey David Stories	07-01-20 to 10-07-20 10-08-20 to 12-31-22 01-01-23 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MADISON CONSOLIDATED SCHOOLS, JEFFERSON COUNTY, INDIANA

This report is supplemental to our audit report of the Madison Consolidated 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

MADISON CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

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 entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's financial statement.

The Treasurer uploaded the School Corporation's financial information into Gateway; however, there was no documented internal control, such as a review and approval of the amounts uploaded prior to submission in order to detect and allow correction of errors prior to submission.

Due to the lack of internal controls, the financial statement presented for audit and the corresponding combining schedules included the following errors:

1. The Prepaid Food fund was omitted from the financial statement and corresponding combining schedules. This resulted in the beginning cash and investments, receipts, and disbursements being understated \$15,532, \$144,837, and \$114,196, respectively, for fiscal year 2020-2021. For 2021-2022, the beginning cash and investments, receipts, and disbursements were understated by \$46,173, \$91,825, and \$86,129, respectively.
2. The Payroll Clearing fund was omitted from the financial statement and corresponding combining schedules. This resulted in the beginning cash and investments, receipts, and disbursements being understated by \$225,430, \$10,118,150, and \$10,080,371, respectively, for 2020-2021. For 2021-2022, the beginning cash and investments, receipts and disbursements were understated by \$263,209, \$10,700,321, and \$10,513,491, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and corresponding combining schedules.

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. . . .

MADISON CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

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](#)."

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 supplemental Schedule of Leases and Debt was incorrect and did not agree with the School Corporation's records.

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

- The amount report for the Principal and Interest Due Within One Year for the 2020 General Obligation Bonds was incorrect. This resulted in an overstatement of \$3,538,000.

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](#)."

MADISON CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID SCHOOL MEAL ACCOUNTS AND TIMELY REPORTING

The same comment also appeared in prior Report B56846.

Condition and Context

The School Corporation's Prepaid Food fund was not in agreement to the subsidiary records of the individual student meal accounts. The School Corporation attempted to perform reconciliations at various times; however, differences always existed with no further action taken to identify and correct the reason for the difference.

The Credit Card and ACH payments (E-fund) were not being recorded timely in the Extracurricular Account (ECA). The E-fund payments were being posted to the student meal accounts at the time of transaction, but they were not being receipted into the ECA financial ledger until the funds were shown as deposited in the bank.

Procedures were not in effect for the School Corporation to identify that all monies paid on a student's meal account were remitted to the School Corporation and on a timely basis.

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)

MADISON CONSOLIDATED SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2023, with Danica Houze, Treasurer; David Stories, President of the School Board; Michael Scott, School Board member; Teresa Brown, Superintendent of Schools; and Amanda Conover, Deputy Treasurer.