

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION

PARKE COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED

03/14/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leslie A. Shaffer	07-01-20 to 06-30-23
Superintendent of Schools	Dr. Philip T. Harrison	07-01-20 to 06-30-23
President of the School Board	Darrek J. Davis	07-01-20 to 06-30-23



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTHWEST PARKE COMMUNITY
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Southwest Parke 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 22, 2023

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and supplementary information are required to be reported annually on the Indiana Gateway for Government Units financial reporting system. The School Corporation was not in compliance as follows:

Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances (Combining Schedule)

The Combining Schedule contained errors and did not properly reflect the financial activity of the School Corporation. The Old Clearing Account, Clearing Account 1, Prepaid School Lunch Funds, Title II Part A FY21, Rural & Low Income FFY21, Emergency Connectivity Fund - ARP, ESSER III, and Clearing Account funds were omitted from the AFR. In total, beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances reported were over(under) stated as follows:

Cash and Investments 07-01-20	Receipts	Disbursements	Other Financing Sources/Uses	Cash and Investments 06-30-21	Receipts	Disbursements	Other Financing Sources/Uses	Cash and Investments 06-30-22
\$ 11,413	\$ (1,762,253)	\$ (1,749,176)	\$ -	\$ (1,664)	\$ (2,406,533)	\$ (2,386,122)	\$ -	\$ (22,075)

Audit adjustments were proposed, accepted by the School Corporation, and made to the Combining Schedule.

Schedule of Leases and Debt

The School Corporation reported the PVETI Building and the Southwest Parke Community School Building Corporation leases under the lease section and also in the debt section of the schedule. This overstated the ending principal balance by \$2,261,900 under the debt section. Adjustments were proposed, approved 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](#)."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

Condition and Context

The School Corporation did not correctly report the Virtual Due to COVID Students for the 2020-2021 fiscal year. All students were reported as Brick and Mortar students to the state.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Condition and Context

The School Corporation did not retain proof of residency documentation for the audit period for any students. Therefore, we could not determine if the students were properly enrolled.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

1. The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
2. The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

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)

CAPITAL ASSETS

Condition and Context

The School Corporation had a capital asset listing; however, the capital asset listing had not been updated since 2020.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

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)

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not established an effective system of internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement.

The AFR did not properly reflect the financial activity of the School Corporation. The Old Clearing Account, Clearing Account 1, Prepaid School Lunch Funds, Title II Part A FY21, Rural & Low Income FFY21, Emergency Connectivity Fund - ARP, ESSER III, and Clearing Account funds were omitted from the AFR. In total, beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances reported were over(under) stated as follows:

Cash and Investments 07-01-20			Other Financing Sources/Uses	Cash and Investments 06-30-21			Other Financing Sources/Uses	Cash and Investments 06-30-22	
Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
\$ 11,413	\$ (1,762,253)	\$ (1,749,176)	\$ -	\$ (1,664)	\$ (2,406,533)	\$ (2,386,122)	\$ -	\$ (22,075)	

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

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. . . .

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved School Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The School Corporation did not comply with the State Examiner Directive and failed to upload a portion of their required monthly and annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for fiscal years 2020-2021 and 2021-2022 in a timely manner.

Required monthly uploads for July through December 2021 were not uploaded until May 2022; the required annual uploads related to payroll for 2021 were not uploaded until January 2023; and all required annual uploads for 2022 were not uploaded until January 2023.

Criteria

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)

This amended directive is effective starting with the December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

(Amended State Examiner Directive 2018-1)

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2023, with Leslie A. Shaffer, Treasurer; Jonella McClintock, Food Service Director; Dr. Philip T. Harrison, Superintendent of Schools; and Darrek J. Davis, President of the School Board.