

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BEECH GROVE CITY SCHOOLS

MARION COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED

03/16/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Statzer Kathy Comado Julia Smith	07-01-20 to 05-14-21 05-15-21 to 03-01-22 03-02-22 to 06-30-23
Superintendent of Schools	Paul A. Kaiser, Ph.D. (Vacant) Dr. Laura Hammack	07-01-20 to 03-31-21 04-01-21 to 05-31-21 06-01-21 to 06-30-23
President of the School Board	April McManus Jannis King	07-01-20 to 12-31-21 01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BEECH GROVE CITY SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Beech Grove City 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 15, 2023

BEECH GROVE CITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment appeared in prior Report B56999.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2021 and 2022:

Fund	Amount Overdrawn 06-30-21	Amount Overdrawn 06-30-22
Csl C0004 Ce	\$ 4,445	\$ -
2020 Tech Loan	-	4,053
Curricular Materials	360,566	215,579
Hs/Ms ECA Activities	2,707	13,734
Hp Pcard	837	732
Ce Pcard	-	370
Ms Pcard	-	5,589
Hs Pcard	17,223	20,971
Clearing Hsbt Health	21,355	50,589
Payroll Withholding	144,955	105,446

Funds with overdrawn cash balances, as a result of grants awaiting reimbursements, were not included in the list above.

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The School Corporation completed a bank reconciliation each month. Every month the reconciliations included an item called "Manual Adjustments" to reconcile the ledger balance and the bank. There was no detail of the Manual Adjustments or explanation recorded on the reconciliations to support the adjustments. In addition, there was no evidence of an internal control such as a review and/or approval by another individual over the bank reconciliations to ensure their accuracy.

As of June 30, 2021 and 2022, there was a \$6,270 and \$21,772 variance, respectively, between the bank balance and the ledger balance.

The School Corporation has subsequently worked to identify the errors, and, as of December 2022, the bank account was balanced to the ledger.

BEECH GROVE CITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Out of a sample of ten new employees hired by the School Corporation during the audit period, two of those employees had not completed internal control training as required by the statute.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The School Corporation certified that all employees with access to governmental funds had completed training on the internal control standards, but not all employees had completed the training.

BEECH GROVE CITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 did not have an inventory of the capital assets on hand that was complete and accurate. Additionally, the unit had not completed a physical count of the inventory for more than 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)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The total of detailed student account balances did not agree with the financial statement Prepaid Lunch fund 8400 (Fund) balances on June 30, 2021, and June 30, 2022. On June 30, 2021, the Fund balance was \$50,787, and the detailed student balance was \$30,876, for a variance of \$19,911. On June 30, 2022, the Fund balance was \$59,318, and the detailed student balance was \$29,279, for a variance of \$30,039.

Proper transfers of the prepaid lunch balances were not completed during the audit period.

Proper disbursements from the Fund were not made during the audit period. During fiscal years 2020-2021 and 2021-2022, disbursements from the Fund to the Foodservice fund (Fund 800) were \$20 and \$0, respectively.

BEECH GROVE CITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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)

BEECH GROVE CITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 15, 2023, with Dr. Laura Hammack, Superintendent of Schools; Julia Smith, Treasurer; Jannis King, President of the School Board; Kathy Comado, former Treasurer; Cathy Statzer, former Treasurer; and Brian Garman, Director of Personnel.