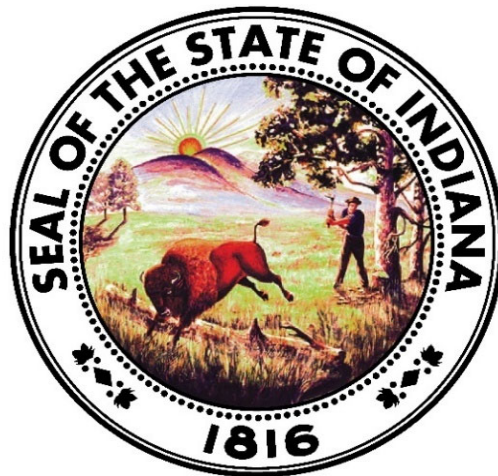


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
NORTH LAWRENCE COMMUNITY SCHOOLS
LAWRENCE COUNTY, INDIANA
July 1, 2018 to June 30, 2020



FILED
03/30/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Corbin E. Dietrich	07-01-18 to 01-14-19
	Amanda Hoffman (interim)	01-15-19 to 06-02-19
	Jenice Roane	06-03-19 to 12-31-21
	Robyn Muder	01-01-22 to 06-30-23
Superintendent of Schools	Gary D. Conner	07-01-18 to 02-15-19
	Ty Mungle	02-16-19 to 01-08-23
	Steve Underwood (interim)	01-09-23 to 02-05-23
	Dr. James Halik (interim)	02-06-23 to 06-30-23
President of the School Board	Kirsten N. Collier	07-01-18 to 12-31-18
	Trent Todd	01-01-19 to 12-31-22
	Dr. Wendy Miller	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH LAWRENCE COMMUNITY
SCHOOLS, LAWRENCE COUNTY, INDIANA

This report is supplemental to our audit report of the North Lawrence Community Schools (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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

March 15, 2023

NORTH LAWRENCE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The School Corporation's financial statement included the following funds with overdrawn cash balances at June 30, 2019 and 2020, that were not attributed to be reimbursable grant funds.

Fund	Amount Overdrawn	
	06-30-19	06-30-20
NLCS H&W Grantor Trust	\$ 308,195	\$ -
SAFE HAVEN 2018-2019	120,233	162,793
Safe Haven 2009-10	-	9,623
HE - Outdoor Lab	-	8,853
NLCC Stem Discover Drone Prog	43	43
Stone Gate Grant For NLCC	46	46
ROI- Uplands Pathway Grant	294	-
ROI - Precision Health Grant	-	583
National Youth At Risk Grant	430	430
Teacher Leaders Bookcamp	-	2,632
M. B. Wohlfeld Mem Golf	-	1,402
Lilly Counseling Grant	57,022	155,031
Teacher Appreciation Grant 19/20	-	9,109
High Ability Students	18,236	5,978
Access Indiana	-	545
Title I 2013-14	1,363	1,363
Title I 2017-18	5,843	5,843
Preschool 2018-19	64,689	35,734
Carl Perkins 2015-16	-	1,006
SIEC Federal Grant	1,710	1,710
Title II 2016-17, 2017-18	4	74

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)

CAPITAL ASSETS - DETAILED LISTING AND INVENTORY OF CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to the officials of North Lawrence Community Schools for the audit period ending June 30, 2018.

Condition and Context

The School Corporation's capital asset records had not been updated nor had a recent physical inventory been conducted.

NORTH LAWRENCE COMMUNITY SCHOOLS
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)

CONDITION OF RECORDS

Condition and Context

The School Corporation had not established an adequate system of internal controls related to financial transactions and reporting.

Financial Transactions - Conversion

The School Corporation had not established effective internal controls over financial transactions. In November 2019, the School Corporation converted from the Komputrol accounting system to the FMS accounting system. Transactions posted to the ledgers were done without an oversight or review process to prevent, or detect and correct, errors in financial transactions.

Due to the lack of effective internal controls, the following issues were identified as a result of the conversion:

- Entries were made in the FMS system for transactions from January 2019 through October 2019 that did not agree with the transactions originally entered in the Komputrol System. This caused the June 30, 2019 cash and investment balance to not agree with the July 1, 2019 cash and investment balance.
- Clearing accounts within the Komputrol System were not converted accurately into the FMS System.
- The School Corporation utilized ten bank accounts. The process for recording bank transfers within the Komputrol system differed from the process required within the FMS system. However, the School Corporation continued to record bank transfers in the same manner as before which resulted in instances of incomplete financial data as only one side of the transfer was recorded.
- Electronic Fund Transfer (EFT) disbursements posted in the ledger did not agree with the corresponding bank disbursements.
- Attempts to correct errors were made incorrectly which resulted in errors in the receipts and disbursements.

NORTH LAWRENCE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Transactions - Cash and Investments

The School Corporation had not established effective internal controls over cash and investments. Although the Deputy Treasurer prepared the reconciliation and the Treasurer reviewed the reconciliation, bank reconciliations were not completed timely, and there were unidentified reconciling differences each month. In addition, the numerous reconciling items did not have adequate documentation to support the validity of the item and identified bank reconciling items were not corrected timely in the ledger. The adjusted bank reconciliation contained an unidentified cash long of \$54,762 and an unidentified cash short of \$302,361 for June 30, 2019, and June 30, 2020, respectively.

Financial Close and Reporting

The School Corporation did not have a proper system of internal controls in place over financial close and reporting. The financial information submitted to the Indiana Department of Education, commonly referred to as the Form 9 data, was the source of the School Corporation's financial statement. The School Corporation did not have a system of internal controls in place to prevent, or detect and correct, errors on the Form 9.

Due to the lack of internal controls, the following errors remained undetected:

- Beginning cash and investment balances were understated by \$99,328 and \$2,342,857 for fiscal years 2018-2019 and 2019-2020, respectively.
- Receipts were understated by \$10,337,503 and \$9,779,631 for 2018-2019 and 2019-2020, respectively.
- Disbursements were understated by \$8,093,977 and \$9,314,540 for 2018-2019 and 2019-2020, respectively.
- The ending cash and investment balances were understated by \$2,342,857 and \$2,807,952 for 2018-2019 and 2019-2020, respectively.
- Transfers in and transfers out were both overstated by \$4,794,520 and understated by \$391,957 for 2018-2019 and 2019-2020, respectively.

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

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. . . .

NORTH LAWRENCE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 5-11-1-4(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](#)."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

NORTH LAWRENCE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2023, with Robyn Muder, Treasurer; Dr. James Halik, interim Superintendent of Schools; Dr. Wendy Miller, President of the School Board; Scott King, School Board member; Barbara Miller, School Board member; Camryn Fender, Deputy Treasurer; James G. Pittman, School Corporation Attorney; and Steve Underwood, former interim Assistant Superintendent of Schools.