

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ROCHESTER COMMUNITY SCHOOL CORPORATION

FULTON COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/30/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Todd VanDerWeele	07-01-20 to 06-30-23
Superintendent of Schools	Jana K. Vance	07-01-20 to 06-30-23
President of the School Board	Thomas Schwenk Jennifer Smith Katie Miller	07-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ROCHESTER COMMUNITY SCHOOL CORPORATION, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the Rochester 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

March 17, 2023

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B56619, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The School Corporation had not established an effective system of internal controls over cash and investments, disbursements, and financial close and reporting.

Cash and Investments (Bank Reconciliations)

The School Corporation had implemented internal control procedures over cash and investments, including bank reconciliations. However, the internal controls were determined to not be effective in ensuring the accuracy and completeness of the ledger activity.

The School Corporation does not have an effective procedure in place to ensure that reconciling items are recorded timely. Disbursements paid via electronic fund transfers (EFT) for insurance and credit card payments were not timely recorded in the financial records. These reconciling items, some which dated back to September 2021, resulted in the \$282,641 understatement of disbursements and overstatement of the cash and investments balances as of June 30, 2022. The financial statement was not adjusted for these reconciling items.

Disbursements

The School Corporation had not implemented a process of internal controls over disbursements for new payees. New vendor and employee information was input by one employee without evidence of an oversight or review process.

Financial Close and Reporting

The School Corporation had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Annual Financial Report (financial statement) and Schedule of Expenditures of Federal Awards (SEFA). One employee prepared and entered the financial information without a documented review or oversight in place to prevent, or detect and correct, errors on the financial statement and SEFA.

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.

ROCHESTER COMMUNITY SCHOOL CORPORATION
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. . . ."

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)

AVERAGE DAILY MEMBERSHIP (ADM)

Condition and Context

The School Corporation was unable to provide enrollment documentation for all of the students that were selected for testing in the test of Average Daily Membership (ADM).

The School Corporation was not following its own Attendance Policy #5200, Required ADM Counts for the Purpose of State Funding and Verification of Residency for Membership Policy #6250, and Student Records Policy #8330 that were adopted.

Of the 64 students tested, we noted the following instances of noncompliance:

1. The School Corporation was unable to provide documentation for proof of residency for 53 students tested.
2. The School Corporation was unable to provide documentation that the student was attending school for 25 students tested.

In addition, the School Corporation was unable to provide documentation to verify the student met the age requirement (birth certificate) for 9 of the 13 students tested.

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."

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system. The following were errors:

Schedule of Capital Assets

The School Corporation understated machinery, equipment, and vehicles on their Schedule of Capital Assets by \$5,960,142 when compared to the capital asset ledger balance. The School Corporation approved the omission of the Schedule of Capital Assets from Other Information.

Investment Fund Statement

Although the School Corporation has investments in certificates of deposit, the School Corporation did not complete the Investment Fund Statement.

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

The same comment also appeared in prior Report B56619.

Condition and Context

The School Corporation had a detailed listing of capital assets owned which reflects their acquisition value. However, four of ten assets selected for observation were no longer owned by the School Corporation and should have been removed from the asset listing.

ROCHESTER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Furthermore, the School Corporation did not complete a physical inventory within the last two years as required.

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)

COMPENSATION AND BENEFITS

Condition and Context

The salary schedule approved by the School Board did not include all positions and employees' pay rates. For one employee tested, the documentation provided for audit reflected a lower School Board approved pay rate than what the employee was paid. For another employee tested, documentation of the School Board approved pay rate was not provided.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

ROCHESTER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2023, with Todd VanDerWeele, Treasurer; Katie Miller, President of the School Board; Jana K. Vance, Superintendent of Schools; and Wendy Bower, Food Service Director.