

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

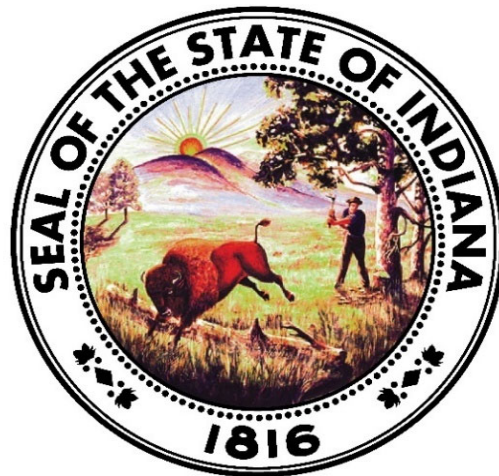
SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2020 to June 30, 2022



FILED
03/31/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gregory Roach Julie Dodd	07-01-20 to 03-31-21 04-01-21 to 06-30-23
Superintendent of Schools	Chad Yencer	07-01-20 to 06-30-23
President of the School Board	Philip Jones	07-01-20 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Blackford County 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

March 16, 2023

BLACKFORD COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation had not established effective internal controls over the Annual Financial Report (AFR) information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Financial Statement, Schedule of Expenditures of Federal Awards (SEFA), and Other Information - Schedule of Leases and Debt and Schedule of Capital Assets. Without a proper system of internal controls in place that operated effectively, material misstatements of the Financial Statement, SEFA, and Other Information - Schedule of Leases and Debt and Schedule of Capital Assets remained undetected.

Financial Statement

The following errors were identified in the Financial Statement:

1. The Cons Accrual fund receipts and disbursements were understated by \$7,804,571 and \$8,390,007 for fiscal years 2020-2021 and 2021-2022, respectively.
2. The Empl. Insurance fund other financing sources and disbursements were understated by \$1,167 and \$1,425 for 2020-2021 and 2021-2022, respectively.
3. The Cafeteria fund and Café Prepaid fund were incorrectly combined into one fund.

Adjustments were proposed, accepted by the School Corporation, and made to the Financial Statement.

Additionally, in 2021-2022, the Operations fund receipts and disbursements exceeded the School Corporation's financial ledger in the amount of \$100,219 and \$92,729, respectively. The variance was not identified, and an adjustment was not proposed.

SEFA

The following errors were identified in the SEFA:

1. The Child Nutrition Cluster commodities were omitted, which understated expenditures by \$84,606 and \$108,237 for 2020-2021 and 2021-2022, respectively.
2. The National School Lunch Program was overstated by \$8,738 in 2021-2022.
3. The Special Education - Grants to States was overstated by \$179,618 and \$4,017 for 2020-2021 and 2021-2022, respectively.
4. The COVID-19 - Education Stabilization Fund was overstated by \$193,807 for 2020-2021.
5. Several additional grants had errors that resulted in a total misstatement of expenditures of \$90,842.
6. Other errors included incorrect program names and identifying numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

BLACKFORD COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Other Information - Schedule of Leases and Debt

A similar comment appeared in a Management Letter addressed to the School Corporation for the audit period ending June 30, 2020.

Lease payments due totaling \$1,610,000 to the Blackford County School Building Corporation were omitted. Additionally, debt outstanding was overstated by \$13,975,000 due to misclassification.

Adjustments were proposed, accepted by the School Corporation, and made to the Other Information - Schedule of Leases and Debt.

Other Information - Schedule of Capital Assets

A similar comment appeared in a Management Letter addressed to the School Corporation for the audit period ending June 30, 2020.

The Schedule of Capital Assets did not agree with the School Corporation's detailed listing of capital assets owned and was overstated by \$6,648,483.

Adjustments were proposed, accepted by the School Corporation, and made to the Other Information - Schedule of Capital Assets.

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

BLACKFORD COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER RECEIPTS

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to receipts.

The Treasurer reviewed receipt copies before deposit; however, there was no evidence of review. Additionally, there was no evidence of a review or approval process over the collection and posting of school cafeteria revenues.

Criteria

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RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS

A similar comment also appeared in prior Reports B49936, B52812, and B57289, entitled *RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS*.

Condition and Context

Reconcilements between the School Lunch program subsidiary ledgers (Payor Balance Summary by Customer) and the control account on the School Corporation's ledger (Café Prepaid fund) were not performed during the audit period.

BLACKFORD COUNTY 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 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 the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

SUPPORTING DOCUMENTATION - CAFETERIA COLLECTIONS

Condition and Context

The School Corporation did not maintain proper supporting documentation, such as detailed Daily Sales Reports from their point-of-sale computer software, to support cafeteria collections posted to the ledger.

Criteria

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CAPITAL ASSETS

A similar comment also appeared in prior Reports B52812 and B57289, entitled *CAPITAL ASSETS*.

Condition and Context

The School Corporation did not properly maintain a detailed listing of capital assets during the audit period. The following capital assets were not added to the detailed listing during the audit period: Blackford Primary School signage for \$9,440, a school bus for \$128,767, and playground equipment for \$72,221. The playground equipment was purchased from a federal grant which also resulted in noncompliance with the grant agreement.

BLACKFORD COUNTY 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)

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)

BLACKFORD COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2023, with Julie Dodd, Treasurer; Chad Yencer, Superintendent of Schools; Philip Jones, President of the School Board; and David Parker, Assistant Superintendent of Schools.